DOLLAR DECADE

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Business Ideas in the 1920's

By
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LOUISIANA STATE UNIVERSITY PRESS
Baton Rouge

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L. C. Card No. 54-10883

MANUFACTURED IN THE UNITED STATES OF AMERICA
BY THE VAIL-BALLOU PRESS, BINGHAMTON, N.Y.

FOR

MARY

Foreword

IT HAS BEEN customary to portray the decade of the 1920's in a slightly cynical or facetious vein. The political leaders who symbolize it, whether Harding, Coolidge, or Hoover, have often been the butt of jokesters. Mr. Prothro's volume is not in this tradition. Though his pages are enlivened by crisp, vigorous prose and an irrepressible puckishness, he writes about a serious and timely subject in the idiom of philosophy. Such an approach is long overdue. By drawing on their own pronouncements, the author deduces the political ideas and ideals by which business leadership presumably wishes to be judged. If their words sometimes sound a liturgical note, the Alpine heights prosperity then attained suffice as an explanation. The philosophy of the self-conscious, organized businessman appears, as the author says, "in all its nakedness, expressed with complete abandon at a time when the business community was riding high and handsome."

Before the Presidential election of 1952, this book would have seemed significant primarily as a contribution to the history of American political thought. But one reading these pages today is struck by the many parallels with current political action and pronouncements in high places. In the 1920's the major emphasis was on material prosperity, "a full belly and a warm hut." The economic elite and political leaders were closely identified. Spokesmen for business were confident, voluble, and expansive. Need one spell out the resurgence of the Free Enterprise cult, or detail the extent to which public affairs have been returned to the guardians of normalcy? Even former President Hoover, who appeared early in the decade as the incarnation of Prosperity and the symbol of efficiency, has now regained his appeal as expressing the dominant motif of American life.

This is not a didactic book. At one point only does the author

specifically ask the reader to draw a moral lesson. Mindful, no doubt, of the much quoted comment of a high official in the Eisenhower administration that "what was good for our country was good for General Motors and vice versa," Mr. Prothro tells us that "American conservatism suffered its greatest betrayal during the period of the 1920's, at the very time it enjoyed its greatest opportunity to develop a broad and enduring appeal." Conservatism, along with democracy itself, was identified with the narrow interests of an economic oligarchy. "If American conservatism is allowed to degenerate into the keeping of those who ill-conceive even their own self-interests," he warns, "the characteristic balance of the American tradition will have been lost and the entire nation can count itself the loser."

The author would, I am sure, be the last to insist that business leaders and their political spokesmen learned nothing from the economic crash and long years of depression. Nevertheless, his final caveat strikes with compelling force. "Will business be able once again to speak for conservatism in general?" he asks. "Will it now be competent to rise to the responsibilities of such leadership as comes its way? Or is a mid-century version of the Dollar Decade about to unfold?"

This is a question of crucial importance. Professor Prothro does not undertake to provide the answer. But he deals with the hard matter relevant to its consideration so deftly that no reader can put his book aside without feeling both delighted and informed.

ALPHEUS THOMAS MASON

Princeton, New Jersey

Prefatory Note

MANY PERSONS have helped, directly or indirectly, to produce this book. Without the publications of the National Association of Manufacturers and the Chamber of Commerce of the United States, the task would have been immeasurably more difficult. For the candor and enthusiasm with which they articulated the business viewpoint, all of the leaders of both these organizations deserve a special word of thanks.

To systematize the ideas of a group is necessarily to reveal any weaknesses in a more conspicuous light than they were exposed to in connection with the varying problems that evoked them. This would apply, of course, to the concepts advanced by veterans' groups, labor organizations, farm federations, or doctors' associations no less than to those of business. If we are to grasp the implications of these policy positions for democratic politics, however, there is no way to avoid the act of systematization. Indeed, it may be deemed essential. And for the 1920's and therefore for the shape of the American tradition today, I believe the following pages demonstrate the ideas of the business community to be of peculiar importance. The extent to which these ideas are now reappearing, whether in their original or in altered attire, is beyond the scope of this study. That they are at least relevant for an understanding of current politics seems unquestionable.

My indebtedness to Alpheus T. Mason, professor of politics at Princeton University, for his ready assistance and sustaining counsel during every phase of the preparation of this study cannot be too strongly put. Neither as mentor nor as colleague has he ever failed to apply to the furtherance of this study the same high measure of enthusiasm and ability that mark his own work. Another colleague and former professor to whom I am indebted both for his general contribution to my professional development and for his specific help

in connection with this study is Robert J. Harris, professor of political science at Vanderbilt University. His helpfulness in reading and offering suggestions on the entire manuscript is merely the most recent in a long series of kindnesses on which I have come to rely.

The problem of developing a method through which to study business ideas was made much more pleasant by the willingness of Herbert Hadley, something of a businessman in New York himself, and Frederic Cleaveland, professor of political science at the University of North Carolina, to serve as sounding boards for my ideas. My colleagues at Florida State University, Professors Marian Irish and James Norton, read portions of the manuscript. None of these people, of course, should be held responsible for the techniques of analysis or the interpretations that follow.

To the entire staff of the Louisiana State University Press, and particularly to Donald R. Ellegood, the director, A. O. Goldsmith, production and promotion manager, and Joan Doyle, editor, I am happy to express thanks for approaching my product with such enthusiasm as to make their work appear pleasure. Thanks also go to the editor of the *Journal of Politics* for permission to use material which originally appeared in modified form in that journal.

Finally, I acknowledge with pride the contribution of my wife, Mary Frances Prothro, who has been at the same time the chief help and the primary distraction in the completion of this study, and whose contribution in both roles could not have been more delightful.

J. W. P.

Tallahassee, Florida, July 24, 1954.

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Introduction

AMERICA is known as a business civilization, and her literature correspondingly abounds in studies of business problems. Despite the fact that a goodly number of these volumes are concerned with the significance of business in American politics, there has been no systematic study of the political ideas of American business from a substantive point of view.[1] The purpose of this study is to make a start toward filling that gap. More specifically, it attempts to systematize and analyze the political theory of American business as it unfolded during that most revealing era in American politics, the decade of the 1920's. On the basis of this consideration of business ideas, it offers an interpretation of the place of the business theory in the American tradition.

The prodigious material contribution of the business community to American life—the industrialization and unification of a continental nation, the development of a tremendous industrial plant and output, the pioneering in mass production and mass consumption, the attainment of a high standard of living—are, of course, well known. These contributions are, indeed, so great that it is impossible to conceive of America without them. The result is that they tend to obscure the importance of a secondary product of American business—ideas. H. A. Overstreet describes as a mark of immaturity the tendency of Americans to evade an evaluation of their record in the field of ideas relating to "human rights and relationships" by citing the blessing of "the highest standard of living in the world." [2]

[1] Business ideas have been analyzed from the point of view of various specific problems, e.g., Alpheus T. Mason, "Business Organized as Power: The New Imperium in Imperio," *American Political Science Review*, XLIV (1950), 323–42; and Thomas P. Jenkin, *Reactions of Major Groups to Positive Government in the United States, 1930–1940: A Study in Contemporary Political Thought* ("University of California Publications in Political Science" [I], Los Angeles, 1945), 298–328.

[2] H. A. Overstreet, *The Mature Mind* (New York, 1949), 163.

It appears equally shortsighted to dismiss the political theory of American business, on the basis of scattered ideas to which one may have been exposed, as unworthy of investigation. The recognition of the significance of a political theory obviously need not be based upon acceptance or rejection. The importance of such an incongruous trio as John Locke, Karl Marx, and Adolph Hitler in any consideration of modern political theory offers convincing evidence on this point. "Every idea is an incitement," Justice Holmes submits. "It offers itself for belief and if believed it is acted upon." [3]

If ideas are weapons, it should not be necessary to belabor the fact that the arsenal maintained by American business is of no small significance. "'Tis . . . certain that *property* in fact generally *confers* power, tho' the possessor of it may not have much more wit than a mole or a musquash," wrote James Otis almost two centuries ago.[4] With the importance and influence of business ideas as a major premise, the proposal here is to investigate their wit.

Since the development of a complete history of business thought is beyond the scope of this study, it will focus—in topical rather than chronological terms—upon a single decade. Three considerations have been operative in the selection of the period for investigation. In the first place, it should be at a point where the business structure has attained at least a reasonable measure of maturity, i.e., business should have reached its present essential form, with the corporation as the basic unit of the economy. In the second place, the business community should have become sufficiently self-conscious and united to express a general business point of view. Both of these factors serve to pull the period of interest toward the present, since the development of a corporate economy was the work of the late nineteenth century, and the two great national business organizations, the National Association of Manufacturers and the United States Chamber of Commerce, were established in 1895 and 1913, respectively.

The third consideration serves, however, to push the choice toward the past: It should be at a time before the business community grew apologetic or ashamed. In the interest of finding a maximum of candor and clarity in business ideas, it appears that the period se-

[3] Gitlow *v.* N.Y., 268 U.S. 652, 673 (1925).

[4] James Otis, *The Rights of the British Colonies* ("University of Missouri Studies" [IV], Columbia, Mo., 1929), 51.

lected should antedate the ascendancy of the New Deal, with all of the sniping and embarrassment that it involved for business ideas.

On this basis, the decade of the 1920's promises to be most rewarding. Business had attained much its present form; it had organized for the more effective expression of the business point of view; and it was both powerful and unashamed. Support for this choice comes from comments offered by the head of one of the great business organizations in the middle of the decade. "That, as a nation, we are occupying Alpian heights of economic prosperity hitherto unexplored, no one can rationally dispute . . . ," he proclaimed.[5] But the feeling of power and achievement was mixed with an acute political awareness. "Yet it must be admitted that the legislative skies still hold a constant threat of damaging precipitation," he added. "Hence, the more successful and prosperous our industry is, the greater its perils and the larger our collective responsibilities." [6]

American politics is conditioned in so many ways by the fact that it operates within the context of a business civilization that a number of challenging problems are posed by the interrelationships between economics and politics. Some of these problems are so closely related that it may help clarify the objectives of this study briefly to explain what it is not. Among the significant questions that deserve further investigation, and with which the concern of this study might conceivably be confused, at least six deserve mention.

This is not a study of business as a system of power; [7] it is not an investigation of the pressure tactics of the business community; [8] it is not an analysis of the internal organization or politics of business groups; [9] it is not a consideration of business techniques in influencing public opinion.[10] The concern of this study differs from each of these four problems because of its focus upon the substance

[5] John E. Edgerton, quoted in *Proceedings of the Thirty-first Annual Convention of the National Association of Manufacturers of the United States of America* (n.p., 1926), 67. Convention proceedings, whether published separately or as a number of the periodical *American Industries*, are hereinafter cited as *Proceedings, N. A. M.*

[6] *Ibid.*, 68–69.

[7] On this problem, see Robert A. Brady, *Business As a System of Power* (New York, 1943); and Donald C. Blaisdell, *Economic Power and Political Pressures* (Washington, 1941).

[8] See, e.g., E. E. Schattschneider, *Politics, Pressures and the Tariff* (New York, 1935); and Dayton D. McKean, *Pressures on the Legislature of New Jersey* (New York, 1938).

[9] See Harwood L. Childs, *Labor and Capital in National Politics* (Columbus, Ohio, 1930).

[10] See S. H. Walker and Paul Sklar, *Business Finds Its Voice* (New York, 1938).

of business thought rather than the power, organization, or techniques through which it finds expression. Even within the area of a substantive approach, however, there are at least two more possible objectives to be excluded: This is not an attempt to determine the inner thoughts or private desires of business leaders;[11] nor is it an attempt to ascertain the ideas of all businessmen or of the typical businessman.

With this statement of what the study will not attempt to do, perhaps a positive restatement of what it will undertake is in order. When it is said that an effort will be made to illuminate "the political theory of American business," that objective is assumed to call for the development and consideration of that political theory which is implicit in the ideas proclaimed and generally accepted as *the* point of view of the business community. The focus will accordingly be upon the recognized ideas of American business, upon those points of view which impinge on the community at large and therefore affect the course of American political thought.

The choice of method is largely determined by the prior decision as to purpose. If the aim were a revelation of the private ideas and secret aspirations of business leaders, for example, reliance might well be placed upon psychiatric techniques, the "inside picture" derived from personal experience in business, or material from biographical works. If the purpose were, on the other hand, to ascertain the public opinion of all businessmen, the sampling and polling devices developed by students of public opinion might be employed to secure a representative sample.

What is the most appropriate method for determining the political theory of American business? Despite the fact that purpose goes far to determine method, no one approach can be insisted upon as "necessary and proper" in any exclusive sense. It must suffice to select, from several alternatives, a reasonably appropriate means toward the end in view.

Thus Robert G. McCloskey, with an objective highly similar to that envisaged for this study, adopts a highly dissimilar method. Concerned with the "evolution of conservative political thought in a crucial period . . . extending roughly from the close of the Civil

[11] See Theodore K. Quinn, *I Quit Monster Business: An Appeal for Independent, Decentralized Enterprise—To Save Individual Opportunity and Freedom in America* (New York, 1948).

War through the first decade of the twentieth century," he solves the problem by selecting one outstanding business leader who "exemplifies [the] general characteristics of postwar American thought." [12] Such an approach would be hard to justify for a more recent period because of the difficulty of choosing a representative sample of one to depict the essentials of business thought. The outstanding leader will be atypical almost by definition; [13] and it would be extremely questionable to base the choice of such a figure on the belief that he represented the essential trends of the time unless it had been well sifted by history.

Since the concern of this study is with those ideas bearing the stamp of American business as a whole, it appears an appropriate methodological step to turn to organized business, that portion of the business community which is unified and articulate in the name of all business. During the 1920's there were two nationwide organizations, the National Association of Manufacturers and the United States Chamber of Commerce, with the declared purpose of speaking for American business. Reliance will accordingly be placed upon these two groups as the source of the political theory of American business during that period.[14]

The governing process in the United States is increasingly a resultant of group efforts and pressures. It is the concepts offered in these efforts and pressures which are the most potent competitors in the market place of ideas today. Farm blocs, real estate lobbies, labor unions, business organizations, veterans' groups, professional associations, temperance unions, women's leagues, these and like units are the sources of the ideas which now dominate American thought.[15] They may accordingly be regarded as highly appropriate units of investigation for the student of political theory.

The National Association of Manufacturers and the Chamber of

[12] Robert G. McCloskey, *American Conservatism in the Age of Enterprise* (Cambridge, Mass., 1951), ix, 134. In addition to the business contribution, represented by Andrew Carnegie, McCloskey considers one academician, William Graham Sumner, and one jurist, Stephen J. Field.

[13] For the 1920's, for example, the choice would probably be Henry Ford, a man of many idiosyncrasies who could hardly be allowed to speak for the entire business community.

[14] If the focus were upon the period since 1935, it would be necessary to add "way-of-life" advertising, sponsored by a large number of separate firms, as an important expression of the business theory impinging upon the citizenry at large.

[15] See, e.g., Stephen K. Bailey, *Congress Makes a Law: The Story Behind the Employment Act of 1946* (New York, 1950).

Commerce may be criticized on the ground that they give inadequate expression to the viewpoint of the rank and file of small businessmen. But it was the ideas of these two groups, whether an accurate or distorted reflection of actual business opinion, that entered the stream of American political thought during the 1920's as *the* business viewpoint. More narrow business organizations, e.g., the American Bankers' Association or the American Bureau of Shipping, are omitted on the ground that they claimed to represent only a specialized segment of the business community rather than the business view in general. The claim of a leader in one of these organizations could be made for both. "It is the Chamber of Commerce that presents to the community its picture of the business man." [16] It is not necessary to argue the question of whether or not the dicta of the National Association of Manufacturers and the Chamber of Commerce are a completely adequate reflection of conservative thought, or even of business enterprise thought, in the period under discussion. In any case, there can be no doubt that these dicta do represent a very significant aspect of American opinion and one well worth investigating.

A caveat must be explicitly entered, however, before one proceeds to allow money to talk for itself. This study is based upon a comprehensive analysis of the annual convention proceedings, the official publications, and the writings of leaders of the National Association of Manufacturers and the Chamber of Commerce during the decade of the 1920's. In terms of these organizations it can therefore claim to be complete, but it can submit no claim for more than that. The ideas expressed in the following pages are therefore no more nor less than those of these two nationwide business organizations during the distinctive era of the 1920's. Their claim to speak for the entire business community can be quickly discounted; no social or economic interest presents a perfectly solid front. Indeed, it has already been suggested that one can well argue that these groups actually misrepresent the varied opinions of the many urban and provincial, democratic and authoritarian, public-spirited and egoistic individuals who constitute the complete business community. At a minimum, however, they constitute an extremely significant, be-

[16] John Ihlder, "The Business Man's Responsibility," *Nation's Business*, XIII (November, 1925), 54.

cause organized and articulate, faction within the greater and more varied business community.

Just as the more self-conscious and militant laborers or veterans of the period may be assumed to be those found in the leadership of their formally organized groups, so the businessmen who speak through the National Association of Manufacturers and the Chamber of Commerce may be accepted as the more aggressive element from that segment of society. Such deviations as are found here from the true points of view of the great and largely inarticulate business community as a whole may accordingly be presumed to lie in the direction of extreme militancy. Here we may expect to find the philosophy of the self-conscious and organized businessman in all its nakedness, expressed with the complete abandon of a time when the business community was riding high and handsome. When, for the sake of convenience, such ideas are referred to as *the* viewpoint of *the* business community, these reservations must be kept in mind.

Reliance upon organizations does not, of course, eliminate ultimate dependence upon individuals for the ideas of the business community. Unless one postulates the concept of a mystical group personality as an independent generator of ideas, the necessity of building upon the ideas of individual leaders in the organizations of interest may be taken for granted. The group approach does, however, solve the problem of how the individuals will be selected: The central role of the key personalities in this study stems directly from their position as leaders of the National Association of Manufacturers and the Chamber of Commerce. The important point to bear in mind is that the individuals are selected not because of their significance *as individuals* but because of their status as the official spokesmen for the unchallenged—if self-proclaimed—representatives of the entire business community. Indeed, it would be more accurate to say that they are "accepted" rather than "selected" for this study—the job of selection was done by the National Association of Manufacturers and the Chamber of Commerce.

As indicated above, we shall not here be concerned with the internal processes through which these organizational spokesmen attained leadership. Perhaps they were truly representative of the sentiments of the entire membership, perhaps not. One may presume

that they were at least representative of the dominant forces within their organizations. John E. Edgerton, for example, will be relied upon more heavily than any other single individual for no other reason than that he was president of the National Association of Manufacturers from 1921 until 1931. If this study would be difficult to contemplate without this one figure, it is because the National Association of Manufacturers during the 1920's cannot be conceived of without him. The importance of Edgerton and others in positions of leadership lies in the fact that they *were* there, that it was they who conveyed to the American people the official voice of the business community through the mechanism of the two great business organizations.

Problems of method are by no means solved, however, with the selection of national organizations as spokesmen for business. Students of political theory appear to have given too little attention to the question of methodology, probably because of the "great man" orientation of political theory. When concerned with the solitary thinker, one may be tempted simply to consider all of his political ideas and label the result a political theory. One is forced to give more careful attention to the bases of selection and classification when dealing with a group, however, because it offers too many ideas to be recorded in such an indiscriminate fashion.

There is no well-established approach which offers a solution to this problem because students of political theory continue to concentrate for the most part on the independent thinker. Indeed, one is tempted to say that the tendency to neglect group ideas *as theory* is rooted in the assumption that only that which is elaborately rationalized—preferably within the confines of one or more systematic treatises—can be dignified by admission to the field of political theory. This is not only to overlook the fact that a theory, in the sense of a basic outlook or frame of reference, is implicit in these ideas, but also it is to ignore the determinative ideas of our time. As any reader of "Little Orphan Annie" should know, it is not necessary for root concepts to be neatly bound in one volume to constitute a political theory.

The solution attempted here is the employment of a conceptual structure that could, it is hoped, serve as a tool for the analysis of almost any political theory. What are the basic problems in terms of which political ideas are approached? Moving from the more

pervasive to the more specific, the essentials of a theory appear to be most readily understood in terms of the nature of man, of society, and of government. The topics employed to develop each of these categories here are, for the nature of man, the natural capacity of man, the external and internal determinants of man's nature, and his *summum bonum;* for the theory of society, its ideals, institutions, and unifying agent; for government, its ends, means, functions, power, and rulers.

It is from this point of view that this study is built around business ideas on the nature of man, society, and government. Within this general framework, however, business will be allowed to speak for itself. One can only agree with the business spokesman who insisted that American business "can be its own best critic, and prove its wisdom in so being. The professional agitator or politician can hardly be expected to know where business is striving to get as well as business itself." [17]

[17] "Through the Editor's Specs," *Nation's Business,* XVIII (February, 1930), 223.

PART ONE

HUMAN NATURE

Man and Superman

[1]

The Sow's Ear and the Silk Purse

IN RETROSPECT the decade of the 1920's has appeared to its chroniclers to warrant titles of condescension (*So This Was Normalcy*), of amused pity (*The Aspirin Age*), of amazement (*Only Yesterday*), and of frank incredulity (*The Incredible Era*). To at least one group of its contemporary interpreters, however, the awed respect that the editor of the official journal of the Chamber of Commerce manifested seemed by no means extravagant; in the eyes of the two national business organizations it could properly be called nothing less than *This Amazing Decade.*[1]

If the president of the National Association of Manufacturers was able to send a chill through his followers at their 1924 convention by pointing to undeniable tendencies toward "mob rule" in the United States, he was also able to comfort them with "several things that we yet have to be thankful for." Mob rule might be a menace, but one could feel secure in the knowledge that "God is still in His Heaven," and, perhaps of equal importance, that "there is in the White House a man whose essential qualities of mind and soul, and whose unswerving attachment to the fundamentals of free government are going to be demanded by an awaking people in the next President of the United States." [2]

When, by re-electing Calvin Coolidge overwhelmingly, the public proved that it was indeed awaking and verified the prediction that the previous incumbents would be continued both in Heaven and in the White House, the Amazing Decade had begun to reach full flower. Although the truly amazing aspects of this period took the form of material progress, stability of leadership in the temporal and spiritual spheres was of no small importance. By reducing the vari-

[1] Title of lead editorial by Merle Thorpe in *Nation's Business*, XVI (September, 1928), 9.

[2] John E. Edgerton, "Annual Address of the President," *Proceedings, N. A. M.* (1924), 118.

ables to the unquestionably beneficent effects of economic progress, it established the most propitious circumstance possible for the realization of the nature of man.

Under conditions as auspicious as these, it is perhaps not surprising that business leadership looked with approval on the capacity of man in general. President John E. Edgerton of the National Association of Manufacturers was expressing a widely accepted faith when he reflected optimistically on the capacities of the average American: "I verily believe that the essentially sound and more dependable elements of American citizenship, who are always in the majority when not divided by political shibboleths and narrow prejudices, are getting tired of chasing the will-o'-wisps of radicalism in government, in religion, in art, and in social life, and are about ready to return to the God, the Bible, and the fundamental principles of their forefathers." [3]

If this statement reflects a faith in the basically sound character of the American people, it is at least equally significant for the conspicuous reservations that attend that faith. Man may be worthy of respect under normal conditions, but he may also become the victim of shibboleths and prejudices. He may be poised to return to the sound principles of the past, but the very necessity of a return suggests that he has not always adhered to those principles. Wise enough to continue a Coolidge in office, the great mass of people must perforce be regarded as "essentially sound," but business spokesmen add that the capacity on which this soundness is based is itself balanced only in an extremely precarious fashion. In what directions is this capacity susceptible to perversion; what is the nature of its obvious limitations?

In the first place, the capacity of man en masse is limited by the fact that he is not capable of profound, or even rational, thought. Charles N. Fay, writing as a former public utility executive, as a vice-president of the National Association of Manufacturers, and as a member of the Chamber of Commerce, has explained to fellow businessmen that this limitation grows out of deficiencies in initiative, time, and intelligence: "Once more let me urge on you, that *wage-workers* will usually constitute the majority of voters in free, civilized countries like ours . . . ; and they will be employed by you because they have not initiative enough to be employers them-

[3] *Ibid.*

selves. So too in politics, they will be voters, steered by politicians, because they have not initiative, or time, or brains enough to study policies, and make up their minds for themselves, how to vote." [4] The masses may be directed to an idea by others, but they do not have the ability to think for themselves.

From the belief that a majority of the people suffer from such a limited capacity for thought as this, it is but one short and logical step to the idea that, even if the deficiencies in time and initiative could be overcome, thinking per se is undesirable for the great mass of the people. If man is so incapable of thought that any effort in that direction becomes dangerous to himself and to society, the "essential soundness" of his capacity becomes seriously circumscribed. President Edgerton has carefully spelled out just such a limitation:

> Now let me say in the spirit of aspiring justice that the working masses of our country have been more responsible than any other single composite force for the maintenance of right principles in industry. They have for the most part, been so busy at their jobs that they have not had time to saturate themselves with false theories of economics, social reform, and of life. They have been protected in their natural growth by the absence of excessive leisure and have been fortunate not only in their American-made opportunities to work, but in the necessities which have compelled its reasonable indulgence. Economically they are as a great class below those for and with whom they have worked, nevertheless they constitute on the whole the very cream of American citizenship in the most essential qualities of heart and soul upon which the security of every civilization depends. Notwithstanding the agitations to whose excitements some of them are unwittingly susceptible, they do not, in the main, want the responsibilities of the collective control of industry. . . . If left alone by agitating exploiters and by professional uplifters, there are no problems or differences which they and those who employ them cannot and will not by themselves work out to their mutual satisfaction in due time.[5]

The mass of the people no more want to engage in the rigorous process of independent thought than they want to bear the burden of social responsibilities. Left alone, they will instinctively hold to "right principles"; but they are at the same time "unwittingly susceptible" to excitement through the influence of "agitating ex-

[4] Charles N. Fay, *Business in Politics: Suggestions for Leaders in American Business* (Cambridge, Mass., 1926), 164. Emphasis his.

[5] John E. Edgerton, "Annual Address of the President," *Proceedings, N. A. M.* (1929), 23.

ploiters" and "professional uplifters." The result is the somewhat paradoxical one that their ideas remain sound only insofar as they are protected against the exercise of their powers of reasoning.

Here we have reached the hard core of a basic belief. The working masses, although they constitute "a great class below" their employers, are imbued with certain natural characteristics of "heart and soul" which make for a happy, busy, and conservative life in industry. When the blandishments of outsiders lure the workers to undertake the unnatural effort of sophisticated deliberation, however, it becomes quickly evident that their characteristics do not include a capacity for rational thought. The simplicity which may be a virtue in a life dedicated to work is immediately revealed as doltishness in the realm of ideas. The first factor which limits the capacity of the masses is found, then, in the fact that they will rise not as "the very cream" of society but as its scum if they endeavor to do so through the processes of thought.

The other influences which business spokesmen decried as tending to deteriorate the basic strength of man's character are closely related to his intellectual deficiencies. Thus the dictum that thought must be proscribed as inimical to the "right principles" of unthinking employees carries by implication a corollary doctrine. Since thought is primarily a product of periods of leisure, the other fruits of idleness also become suspect; and even a cursory examination of its general effects substantiates the hypothesis that leisure is a second force consistently making for the perversion of man's capacities.

It may be observed at the outset that leisure and idleness are synonymous for the masses. The identification of the terms was so complete and automatic in the business theory that the possibility of a distinction between them appears never to have been suggested by its interpreters. The idea that the average man might enrich his personality by putting leisure to some constructive use was patently ridiculous. What unthinking creature could be ennobled by the fruits of leisure? For such as they, not to work is to loaf. Leisure *is* idleness.

A survey of business opinion on the five-day week conducted by the National Association of Manufacturers in 1926 elicited some definitive statements on the deleterious role of leisure in the average man's life. "Enforced attention to business," one manufacturer submitted in describing the basis of the business position, "is in the

long run productive of better citizens than enforced idleness." [6] To discover just why "enforced attention to business" is conductive to the development of a more desirable type of citizen, one need only look to the train of evils that can be expected "if God given daylight and time is wasted by American industry." [7]

Leisure will corrupt the nature of the average man for at least five different reasons: it is an unnatural pursuit which thwarts the full development of man's capacity; it will lead to an abuse of time by developing a taste for improper amusements and luxuries; it tends to increase criminality; it will give rise to radicalism; and it will eventually bring complete decay to man's capacities. Since each facet of the business interpretation of leisure suggests a different direction in which man's capacity may be perverted, they are sufficiently revealing to call for full examination.

Man's capacities naturally cannot be expected to thrive under conditions that run counter to his basic nature, and idleness is an eminently unnatural condition for the mass of the people. This concept was such an integral part of the folklore of American business in the 1920's as to have become almost a truism. James Carey Martien was accordingly well within the bounds of a tradition which had always respected honest toil when he reminded the business community of this fact: "Mankind does not thrive on holidays. Idle hours breed mischief. The days are too short for the worthwhile men of the world to accomplish the tasks which they set themselves. No man has ever attained success in industry, in science, or in any other worthwhile activity of life by limiting his hours of labor." [8] Grant this business assumption, that no man can realize success in any worthwhile activity if he indulges in leisure, and the general proposition that "mankind does not thrive on holidays" must follow. Leisure must accordingly be proscribed, first of all, on the ground that it is inherently contrary to the nature of man.

As an artificial element in the life of the masses, leisure was considered to have not merely the negative effect of a deterrent on the full development of the individual's capacities; it would inevitably give rise to positive misuse as well. One of the most common forms which this misuse takes is the whetting of an appetite for luxuries.

[6] H. C. Atkins, quoted in "The Five-Day-Work Week; Can It Become Universal?" *Pocket Bulletin*, XXVII (October, 1926), 10.

[7] *Ibid.*

[8] James C. Martien, quoted *ibid.*, 3.

A company president concerned with this danger pointed to the fact that "the workman—particularly the foreign workman, who is only partially trained in the advantages offered by this country—would abuse the additional time; would waste it in unnecessary pleasures, if not in vicious habits; it would mean a waste of the workman's energy; encourage a disposition to loaf; create a desire for many things that would be, not only unnecessary, but burdensome as to purchase and payment and involve men in debt." [9] And the influence would not be restricted to employees alone; "it would also create among their families a desire for luxuries and to use the additional holiday for display and injurious amusement." [10]

While the average individual is a supporter of "right principles" so long as he is kept busy, this strength of character needs the sustaining influence of more than forty hours a week on the job. Given insufficient access to work, the majority will quickly lose all perspective in an insatiable quest for luxuries.

However damaging the desire for luxuries and the pursuit of injurious amusements, these were, after all, relatively innocuous evils when compared with some of the other effects of leisure on the character of the working classes. President Edgerton elucidated his colleague's reference to "vicious habits" and elevated it to the status of a law of human nature. Addressing a group of church leaders, he boldly outlined the problem: "I do not approve the suggestion that work is a curse and that it should be one of our ideals to abolish it as rapidly as possible. It should be remembered that there is quite as intimate relationship between leisure and crime as there is between leisure and culture." [11]

Historical support for this theory was to be found in our own country. "As a matter of fact as our wage standards have advanced in this country, and as hours have been shortened, crime has grown much faster than culture, until our nation stands out as the most criminal the world has ever known. It seems to me, therefore, that emphasis should be put upon work—more work and better work, instead of upon leisure—more leisure and worse leisure." [12] This was not to suggest, of course, that most men have innate criminal propensities, but it did emphasize the danger of violating man's nature.

[9] A. H. Mulliken, quoted *ibid.*, 5. [10] *Ibid.*

[11] John E. Edgerton, quoted in "Industry Has Advanced Further Than Religion," *Pocket Bulletin*, XXVII (April, 1927), 4.

[12] *Ibid.*

The indictment of leisure as a debilitating influence on man's capacity now includes the beliefs that it is contrary to the very nature of man, that it leads to the abuse of God-given daylight hours, and that it tends to increase crime. To make the indictment truly complete, one could ask nothing more than the addition of the idea that leisure will issue in radicalism. This danger, too, representatives of the business community were quick to perceive.

The chief objection of James F. Dewey, a Vermont executive, to Henry Ford's new policy of the five-day week reflects just such a premonition. "Nothing to my mind could be worse for the working people of our country than the five-day week. . . . Henry Ford has merely stirred up the old question, but it does not do any good as it gets us nowhere, but it does cause unrest." [13] And it is clear to business that this unrest will constitute one of the most dangerous threats to society. "Nothing breeds radicalism more quickly than unhappiness unless it is leisure. The greatest problem of civilization to-day is to accomplish a proper balance between employment and leisure. As long as a people are kept profitably and happily employed there is little danger from radicalism. As proof of that fact, study the sources of radical thought to-day and you will find them for the most part in the discontented houses of leisure and the leaky tents of the unemployed." [14]

The effects of "enforced idleness" are so horrendous that one might consider them to have invalidated completely the presumably basic position of business that man is by nature "essentially sound" in his capacities. To the business spokesman, however, this does not follow. Indeed, even on this specific question, the mass of the people tend to have the right answer. "I do not believe," one business leader averred, "that the average working man cares to have too much time on his hands, and he is much happier and more contented to be working, earning money, than he is to be loafing." [15]

But if the integrity of man remains, so does his peculiar and apparently inconsistent ease of seduction. Once the agitation for greater leisure is under way, his strength of character decays with

[13] James F. Dewey, quoted in "The Five-Day-Work Week; Can It Become Universal?" *loc. cit.*, 10.

[14] Edgerton, "Annual Address of the President," *Proceedings, N. A. M.* (1929), 23.

[15] George F. Reynolds, quoted in "The Five-Day-Work Week; Can It Become Universal?" *loc. cit.*, 9.

amazing rapidity. In the words of George L. Markland, Jr., chairman of the board of the Philadelphia Gear Works, the

> *work* of this country cannot be done in forty hours a week. I see in the movement a trend toward the *Arena*. Rome did that and Rome died. Most people who work do so with their hands and feet with no joy in their work forgetting their heads except their mouth. . . . The men of our country are becoming a race of softies and mollycoddles; it is time we stopped it and turned out some regular he-men—too many paternalistic laws by City, State and Nation. Any man demanding the forty-hour work week should be ashamed to claim citizenship in this great country. I see in it a gradual sinking into decay.[16]

Man is happy in his work, then, but easily swept into a movement which will bring all of the evils described above as well as decay to himself. Perhaps the ideal solution is one which was scarcely feasible in the United States of the twentieth century. In any event, William Feather, a publishing executive and regular contributor to *Nation's Business*, seemed impressed with the idea that, insofar as leisure is suitable at all, it should take the form of leisurely work. During a visit to Italy in 1927 he was struck with the disadvantages that the proposed modernization of that nation would bring. "Perhaps it is not desirable that it should be done. The women are well accustomed to carrying jugs of water from public fountains and to kneeling beside a stream when they do the family wash. The men plow leisurely with hulking oxen, and if they don't own an ox they spade their orchards, vineyards and gardens." [17]

There is thus no leisure in the American sense, but the picture is one of pastoral contentment. "With few organized forms of recreation there is no occasion for the eight-hour day. The people seem to work slowly for twelve hours. Their pleasures flow out of their work. All waking hours are working or eating hours. The custom has its advantages." [18] But the ideal of leisurely work is directly counter to the more fundamental business conception of the value of hard work. Although the custom had a certain appeal, the basic position of business spokesmen remained one of distrust for leisure as subversive of the best in man's nature.

The series of evils that can be expected if leisure is permitted to

[16] George L. Markland, Jr., quoted *ibid.*, 6. Emphasis his.
[17] William Feather, "European Notes from a Yankee Cuff," *Nation's Business*, XV (August, 1927), 20.
[18] *Ibid.*

the average man reflects the variety of approaches which business organizations applied to this problem. However easily one unhappy picture of the effects of leisure may shade into another, the final mosaic has one central meaning: Indulgence in leisure is a curse rather than a blessing. If this constitutes a restatement of a Puritan doctrine that could have been heard in this country in the seventeenth century, so do the ills which leisure entails read like the outline of a sermon by John Cotton. Leisure must be abjured because it would produce, in ascending order of misfortune, an occupation with unnatural pursuits that diverts man from a full development of his capacity, a craving for luxuries and injurious amusements, an increase in criminality, a tendency toward radicalism, and—ultimately—complete decay.

Considerably less complicated than the role of thought or leisure is the corrupting influence of a third force militating against the healthy capacities of man. This influence, which is capable of reaching such torrential proportions as completely to submerge the best in man's nature, emanates directly from the ambitions of the politician. A particularly insidious force for evil, it gives the politician an opportunity to exploit the very goodness in man's constitution. Too ingenuous himself to look for the hidden motives of the demagogue, and not intelligent enough to penetrate the casuistry of his reasoning, the average man falls easy prey to political designs. "The hardest thing to teach the good-hearted American voter is," in the view of Charles N. Fay, "*that the politician who asks to be elected* to a well paid public office, *because when elected he is going to help the poor, or do away with the rich, is an unmitigated fakir.* It seems almost impossible for the average man, and still more the average woman, to realize that political remedy is far worse than financial disease; that the capitalist, *with a steady job*, is worth far more to the laborer than the taxgatherer, *without one.*" [19]

And with the discomposing rhetoric of the demagogue ringing in his ears, the originally "good-hearted" citizen is in no condition to listen to saner voices. "Many a voter will answer his would-be teacher, that 'nobody should be as rich as Rockefeller'—and so end the discussion! You may . . . recite official census figures showing that Child Labor is seldom cruel, comparatively rare, largely prohibited under 14 years, useful in forming the habit of industry after

[19] Fay, *Business in Politics*, 158–59. Emphasis his.

14 *and always under control of parents*—only to be told by some indignant lady, that you are 'reactionary,' heartless and inhuman. . . ." [20] If the mass of the people are unable to appreciate such argument as this, it is evident that another serious limitation must be recognized in man's capacities. Unable to discern the fallacies in the politician's appeal and, by the same token, insensitive to the force of more careful logic, his political judgment is sadly deficient.

President Edgerton's evaluation of man's ability in this area reflects an awareness of just such a deficiency: "The crowds who clamor for 'hand-outs' in various forms from the public pantry are made to believe that it is all at the expense of the very rich and is, therefore, a legitimate and just process of redistributing wealth and equalizing opportunity. They do not see the bejeweled hand of greed and graft concealed in the deceiving glove of imitative human interest." [21] Just as the sound instincts of the multitudes, which make for a greater happiness in work than in leisure, are distorted by the least experience of leisure into a drive toward complete indolence, so their respect for their fellow man becomes transformed through contact with the politician's machinations into an attack upon wealth. Again that which is best in the constitution of the many corrodes upon the least exposure to an impairing influence. With their originally "good-hearted" impulses now confined to the demagogue, they can be led to "clamor for hand-outs" at the expense of their betters. To the spurious nature of the politician's display of human interest they are completely oblivious.

Despite the serious nature of their limitations, however, it is not inconceivable that the masses could be led to improve their powers of political judgment. Merle Thorpe, editor of *Nation's Business*, was optimistic enough to feel that such a development was in sight as the decade drew to a close. "Unscrupulous politicians have always battened on the moor of economic illiteracy." This traditional susceptibility of the people to demagoguery he took for granted. "Yet it is becoming clear," he submitted, "that the politician will have to change his bag of tricks. We are raising the level of information about the ways of business and business men, and it is making us as

[20] *Ibid.*, 159. Emphasis his.

[21] John E. Edgerton, "Annual Address of the President," *Proceedings*, N. A. M. (1930), 17.

a people less susceptible to false premises and wild promises." [22] If Thorpe's conclusion that "economic literacy is just around the corner" be accepted, the basic strength of man's capacity need not permanently deteriorate before the onslaught of the politician. Truly independent thought and an ability to bear the responsibility of leisure may not be within the reach of the masses, then, but their political insight may be sharpened.

What are the assumptions with which the most articulate portion of American business looks at the capacity of man? So far as man in general is concerned these assumptions have manifested something less than unbounded enthusiasm. The positive capacities of the average individual are of a crude and undeveloped sort. And the most significant characteristic of these capacities is that, for the mass of mankind, they are highly refractory to refinement. They can be debased much more easily than they can be elevated. Man may be regarded as essentially sound, dependable, and goodhearted by nature. But the desirable capacities assumed here are rigidly bound by his limitations. When he turns to thought, leisure, or political judgment, the average man is immediately beyond his depth; and his floundering efforts in each of these directions not only reveal his inadequacies but destroy his simple virtues.

The ideas of business spokesmen accordingly lead to the moderate conclusion that man is neither satanic nor perfect by nature. His capacity has elements of strength, but this strength is constantly beset by degenerative influences to which man is extremely susceptible. There is the strongest of support, therefore, for the proposition that the predominant element in the constitution of the average man is his corruptibility. Particularly in periods of excitement or crisis, it is man's inordinate capacity for corruption that is the most conspicuous tenet of the business theory.

If the faith of the militant business leader in the capacity of man was marked by strong reservations, it should be noted that these were applied to man en masse. When the focus of inquiry is sharpened from the consideration of man in general to an evaluation of comparative capacities or to a description of the distinctions among men as individuals, quite a different picture may obtain. The capacity of man suffers from great limitations, but do these apply to all or

[22] Merle Thorpe, "The Politician Faces Competition," *Nation's Business*, XVIII (July, 1930), 9.

only a part of mankind? Are men essentially equal or disparate in their natural capacities? The answer of business spokesmen here is categorical: The capacities of men vary infinitely.

To representatives of the business community it was so perfectly evident that men were unequal in their natural endowments that it was not thought necessary to point out that varying rates of advancement under conditions of liberty prove men unequal. On the contrary, inequality was the postulate; against it the degree of liberty must be tested. James A. Emery, venerated general counsel of the National Association of Manufacturers, put the case admirably: "Now, I conceive that there is no test so conclusive of the continued existence of individual liberty as the inequality that arises among those who exercise it. For if all men possessed of unequal speed start at the same mark, some must travel faster than others." [23]

Although the unequal capacities of man were thus so obvious as legitimately to be taken for granted, they represented too basic a component of the business theory to be treated cursorily. And for so fundamental an idea, an appropriately simple explanation was ready at hand: Inequality is the work of nature.

So apparent was it that nature does operate on the principle of scarcity production that Charles N. Fay was convinced that even the many on whom fortune had not smiled could appreciate this rule. "Nature creates very few men of exceptional brain and energy; men able to do big things in war or government or even in sport; men who do more, deserve more, and invariably get more, of the good things of life, than the rest of us average or common folk." [24] For the mass of men to recognize this fact requires not the rational thought processes that have been described as beyond their reach but only the sound qualities of "heart and soul" with which nature has been more generous. "Most of us instinctively recognize big men, and cheerfully take the orders of our betters, seldom grudging them their bigger reward for greater achievement." [25]

President Edgerton exercised his talent for discerning patterns in human behavior to superimpose on this law of nature a general principle of human organization. The result was a doctrine of the elite strikingly similar to the "Iron Law of Oligarchy" which Robert

[23] James A. Emery, "The Political and Legislative Horizon," *Proceedings*, N. A. M. (1924), 220.

[24] Fay, *Business in Politics*, 166.

[25] *Ibid.*, 167.

Michels had earlier propounded. Its reformulation held that "in all congregations and assemblies of men; in all organizations of common purpose; and in all groups of whatever size constituted of cohesive human elements, there is an aristocracy of loyalty and dependability without which successful and sustained operation would be impossible. It is composed of the relatively few. . . ." [26] Wherever men exist under conditions of liberty or within the organization of any social body, then, one may expect to find expressions of their natural inequality of endowment. The "relatively few" have always risen to the top.

Is this infinite variability of capacities subject to alteration through the exercise of man's will, or must he accept the work of nature as immutable? Certainly some improvement in the quality of the masses is possible or it could not have been argued that they might one day be raised to a condition of "economic literacy" and thereby made less vulnerable to demagogic appeals. It appears, however, that the majority must be satisfied to stop at literacy. A condition of approximate equality would require that the mass of mankind be raised beyond mere literacy to the point where men were more to be described by the characteristics of a common humanity than by their conspicuous dissimilarities of natural endowment. Such a revolutionary change is completely beyond the power of man's will. To readers of *Nation's Business* this must have been obvious,

> For nature ever spurns equality
> And no two skulls yet held an equal brain.[27]

To alter such a fundamental condition, more than human intervention would be necessary; change will clearly not be possible "until the Great Ruler of the universe levels mankind either by raising it to the sublime degree of sainthood, or by some other divine decree divinely enforced destroys the inequalities of their mental and physical endowments and the differences in their earning capacities." [28]

That a supernatural power should promote all to the rank of sainthood was as improbable as the possibility that the capacities of the few could be reduced. Indeed, Emery intimates that such a feat

[26] John E. Edgerton, quoted in *American Industries*, XXX (October, 1929), 9.
[27] Eden Phillpotts, "A Reply to Socialism," *Nation's Business*, XVII (January, 1929), 26.
[28] John E. Edgerton, "The President's Annual Address," *Proceedings*, N. A. M. (1925), 11–12.

might have been beyond the power of the creator of man's nature. "If the Almighty didn't find it possible or didn't care, in the providential dispensation, to make all men equal in the possession of natural talent or in the development of individual character and virtue, then it is impossible for any form of human society to either survive the attempt to accomplish that which the Divinity cast aside, or to substitute its judgment in accomplishing it for that of Nature's Master in refusing it." [29] John C. Calhoun, the master theorist of man's inequalities, could hardly have put the case more strongly than business leadership: Men vary infinitely in their capacities both under conditions of liberty and within social organizations; this inequality is rooted in the nature of man; so firmly is it fixed that it is not subject to alteration through any human intervention and is quite possibly beyond the scope of divine power.

The chasm between the capacity of the inferior masses and that of the superior few can be no more effectively illuminated than by a re-examination of the forces tending to corrupt man's nature. Thought, leisure, and political agitation have been prominent among the factors against which the constitution of the masses cannot be expected to maintain its balance. But it becomes quickly apparent that these disruptive influences have special rather than universal application. The superiority of the few includes immunity to even the most potent of man's diseases.

At the very time that the National Association of Manufacturers heard the masses congratulated on their good fortune in being kept too busy to think, they received with the few quite a different exhortation. The address which reached its climax in extolling the unthinking character of the many as the source of their endearing "qualities of heart and soul" began on quite a different note: ". . . nothing, I conceive, is more sorely needed in America to-day than for its more responsible citizens to take more time to think, and to apply themselves to those tasks which sober thought always reveals as duties." [30] That which is anathema to the masses is here revealed as highly desirable for "more responsible citizens."

This contrast clearly reflects the great disparity in man's capacities. For the many thought involves a clumsy attempt to escape their limitations and means that they will, inevitably, "saturate themselves

[29] Emery, "The Political and Legislative Horizon," *loc. cit.*, 220.

[30] Edgerton, "Annual Address of the President," *Proceedings*, N. A. M. (1929), 14.

with false theories." For the few to take more time to think means, with equal certainty, that they will engage in "sober thought" to the benefit of the entire nation. Not only is the capacity of the few unscathed by this first activity which perverts the nature of man in general, it is positively enriched by it. The products of thought vary so greatly in quality that the activity itself becomes happily transformed from an evil to a good.

Leisure, a second corrupter of the masses, does not experience such a complete change of value in the hands of the few, but it does cease to be an implacably degrading influence. One executive makes it clear that leisure can never become an ideal even for the few by pointing out that "all of us need the discipline of more, rather than less, regular work." [31] Unlike thought, leisure is not something actively to be urged upon the able minority. It is, however, available to the few and can safely be enjoyed by them without thereby becoming less dangerous to the rank and file. With a note of self-consciousness, one company president holds that "if the point should be made that some of us seem to enjoy the two-day week-end, I will say that, if a fact, it does not prove the two-day week-end a good institution." [32] The few are, after all, so different from their fellow men that an indulgence in leisure on their part is a minor foible at worst.

The unhealthy craving for luxuries which is one of the products of leisure in the masses may make itself felt also in the case of the individual of demonstrated superiority. But in such a person the appetite has lost its destructive character. "I believe this," began one profession of such a faith,

> if an employee, through his efforts and ability, can gradually but surely advance in position and salary, and gain a higher position of authority, I believe the greater the position of authority you get, the greater the liberty you should have. I do not believe that Henry Ford should ring in on the clock just like the man does in the shop. I believe that when you advance men to higher jobs, they should have authority and they should have freedom of action as long as they deliver the goods, and if a man wants to smoke a dollar cigar or dollar and a half cigar and ride in an automobile, if he can afford it, after he has been all along the line from the bottom up, I say, God bless him, let him smoke it.[33]

[31] William A. Vawter, quoted in "The Five-Day-Work Week; Can It Become Universal?" *loc. cit.*, 12.

[32] R. J. S. Schwarzenbach, quoted *ibid.*, 9.

[33] Adolph Mueller, quoted in *Proceedings, N. A. M.* (1926), 44.

Again individual superiority works its marvelous alchemy, albeit with something less than the complete transmutation that it effected in the case of thought. The disease that thought represents in the minds of the masses becomes a healthy exercise in the minds of the few. Leisure, on the other hand, is merely transformed from an evil to a neutral and therefore harmless, if unedifying, pastime. Whereas for the average individual leisure leads to vicious habits, an insatiable desire for luxuries, crime, radicalism, and complete decay, for the superior person it constitutes, if present at all, nothing more than an interesting eccentricity in which the individual is privileged to indulge by virtue of his superiority.

If the capacity of the superior few is not susceptible to perversion through attempts to think or enjoy leisure, one may assume that it can easily withstand the influence of political agitation. The masses were found to be notoriously gullible in politics, but even for them there was hope of improvement here. If the superior individual suffers any defect in connection with demagoguery, it is that he is not only untouched by its appeal but so violently repulsed by its degrading character that he refuses to do anything about it. There is no possibility that the truly superior person will countenance political agitation, but he may encourage its continuance by his very aloofness. "It is proverbial that the elements least capable of sound, constructive reasoning and action, are the most faithful at the polls," lamented one manufacturer; and he added, "It is likewise proverbial that among that vast body of intelligent and energetic Americans who have made our country what it is, are found the chief delinquents. . . ." [84]

But the fact that those with energy and intelligence do not translate their political discernment into action does not mean that their superior capacity deteriorates from disuse. William McCarroll, a former vice-president of the National Association of Manufacturers, made this superiority clear at the beginning of the decade. Referring to President Woodrow Wilson's use of "loose talk" about "the time having come when the people are in the saddle," he submitted that "such declarations had the effect of inflaming the minds of the mass of unthinking people." This was the result, not because the President necessarily meant them as construed, but because his words "were

[84] E. B. Leigh, quoted in "The Vote Campaign of the National Association of Manufacturers," *American Industries*, XXV (October, 1924), 8.

interpreted, expanded, and exploited by the promoters of discontent and revolution." Against these agitators there was but one possible source of succor: "We can hope to be delivered from disaster only by recognizing and facing the facts and by taking heed to the sober utterances of our clear headed and experienced 'men who know.' Happily the country has some of them to whom we can look, in this day of superficial thinking and loose talking." [35]

From every variety of corruption which afflicts the masses, then, the few "clear headed and experienced" men with insight have been shielded. They are not to be led into confusion through the intricacies of the thought process, they cannot be led astray even if they do indulge in leisure, and now their complete invulnerability to political agitation has become manifest. Affected by the politician's appeal only in a negative fashion, their first impulse is to withdraw completely from the political scene. Even in their isolation, however, they can penetrate the humbuggery of the agitator with ease. In a world of "superficial thinking" it is to their "sober thinking" that the masses must look if they would dispel the fog of demagoguery.

It is now evident that the basic concept of business spokesmen on the comparative capacities of man—that of an infinite variability of natural endowment—is not restricted in its application to any one segment of human endeavor. From each of the disorders which plagues man in general, the superior minority is completely immune. And since even the bedeviled masses were found to have an "essentially sound" constitution, the substantial quality of the constitution of the few must be a wondrous thing indeed. What are the more positive capabilities of the superior minority which may be said to correspond to the instinctively strong qualities of "heart and soul" in the masses?

For a logical extension of the business theory as developed by the two national business groups, one should expect to find in the few who constitute the aristocracy of talent an almost unlimited capacity. And on this point business leaders do not disappoint. The aristocracy is found in "the relatively few who can see far into the distance" and whose willingness to bear burdens is as extended as their prescience: "When tasks are determined and undertaken, they are willing if necessary to do even more than their part, and they often carry the

[35] William McCarroll, "Collective Bargaining and the Closed Shop," *American Industries*, XX (April, 1920), 32.

burdens of the many in the heat of the day. They are always to be found in the vanguard of the procession of progress, and they never retreat from the exactions of responsibility. Of such is the kingdom of leadership, and upon them the mass advancements of civilization itself depend." [36]

The capacity of those enthroned in the "kingdom of leadership" is more than "essentially sound"; it is boundless. To demonstrate the scope of such an ability is a difficult task, but representatives of the business community undertake to accomplish it by submitting that on the capacities of the few rests not merely the progress but the very existence of civilization. "Without these great minds the multitudes would eat their heads off, and, as history proves, would lapse into barbarism and die of pestilence and famine. The masses are the beneficiaries; the few, the benefactors." [37]

Not only are the few benefactors of mankind in the sense that they always constitute "the vanguard of the procession of progress," but their abilities are sufficient to accomplish the more difficult task of protecting the multitudes against themselves. The first report of the decade by the National Association of Manufacturers' committee on industrial betterment, health, and safety underlines this historical demonstration of the capacity of the few with one telling reference: "History proves conclusively that the only hope of the mass is the development of able individuals. Withdraw the ten thousand best minds from any country and you would atrophy the nation." [38]

That the "relatively few" with "great minds" are considered competent, as a matter of course, to sustain an entire civilization is perhaps sufficient testimony to their herculean capabilities. It is significant that this testimony also suggests that the capacity of the masses and that of the few, although poles apart, is at the same time intimately related. Not only is the character of the mass of mankind subject to perversion through influences which cannot affect the few, but even that small core of soundness which it retains is somehow derived from the greatness of the minority. Even if the divinity were to acquire that extra increment of power which it would

[36] Edgerton, quoted in *American Industries*, XXX (October, 1929), 9.

[37] Eugene Lombard, "Where the Surplus Value Comes From," *American Industries*, XX (January, 1920), 18.

[38] "Report of the Committee on Industrial Betterment, Health and Safety," *Proceedings, N. A. M.* (1920), 69.

presumably need in order to level man's capacities, the equality which this would produce could achieve nothing but the destruction of civilization. Without the example and guidance of the few "great minds," the remaining multitudes would be so bereft of their present "essential soundness" that they would quickly "eat their heads off," degenerate "into barbarism and die of pestilence and famine." The rather intricate relationship which exists in fact, then, is that the strength of character which the masses derive from those in the "kingdom of leadership" gives them just enough ability to appreciate that leadership. It is this borrowed capacity for appreciation that is the most praiseworthy characteristic of the majority.

Charles N. Fay, concluding his analysis of the capacity of man, points hopefully to this quality in such a way as to pay tribute to the respective capacities of both the many and the few. "Meantime, two things seem to me certain, considering the plain common sense, thrift, and quickness to learn of the American people: first, that America is not likely to confide its vast government and wealth entirely to those of its citizens who have never had brains enough to raise themselves above the level of wageworkers, skilled or unskilled. Second, that, on the contrary, public opinion will come to recognize the vital importance of brains, whether in business or government, together with the social justice of rewarding every man proportionately to service rendered by him—no matter how great or small that service, or its reward." [39] When both reveal that which is best in their natures, then, the masses will gratefully acknowledge the superiority of their betters while the few will demonstrate their ability to fortify the unfit and to sustain a civilization.

With the assumptions of business spokesmen as to the comparative capacities of man adding new color to the picture, how does the subject look? What sort of creature begins to emerge after the first stage in the development of the political ideas presented in the name of American business? So far as his natural capacity is concerned, one fundamental point has become clear: The nature of man cannot be painted with a restricted palette—the disparity between the capacity of the average and of the exceptional individual is too great.

Man en masse presents an ambiguous picture in the theory of

[39] Fay, *Business in Politics*, 170–71.

business. At first glance the average individual appears to be worthy of respect. His capacity is such that he may usually be considered sound and dependable, but this basic strength of character is never spelled out in precise terms. True, his natural inclination is to regard his fellow man without suspicion. Other than a normally good-hearted view of men and things, however, the praiseworthy aspects of his capacity are rooted in one negative virtue, an ability to accept his own limitations. Thus he accommodates himself to his proper place in the "great class below" without rancor. He has little desire for either responsibility or leisure and none of the intellectual curiosity that is generated by more inquiring minds.

With these as the capacities of the masses of which it approves, the most outspoken segment of American business can offer only an extremely sketchy delineation of the character of man in general until it turns to the limitations by which that character is circumscribed. Despite the initial idea that man's capacities are sound, it is the ease with which they may be perverted that is the dominant business concept. The masses may naturally be content to accept their limitations, but the purity of this condition is so readily violated as to give it little longevity. Docile enough to accept their inadequacies if not disturbed, they are at the same time so gullible that they cannot resist any encouragement to try to escape their limitations. Under normal circumstances then they accept, but do not appreciate the reasons for, their inferiority. This leaves them so highly vulnerable that they are unable to resist any corrupting influence; it results in the fact that their greatest virtue, the acceptance of their own limitations, is only sporadically exercised.

So long as he stays in his place, which is as far removed as possible from thought, leisure, or politics, the ordinary individual may be the "very cream" of society; but when he does try to think for himself, to enjoy leisure, or to exercise political judgment, the average man loses all that is sound in his capacity and becomes a menace both to himself and to society. Away from work then this creature who represents man in the mass to business leadership becomes almost as pitiable as he is frightening.

If man in general evokes as the first fundamental tenet of the theory presented as that of business the concept of a boundless capacity for corruption, the consideration of the distinctions among men develops a happier and equally fundamental principle—that of

the infinite variability of man's capacities. There have of course been few Americans who would challenge this principle; even the patron saint of the egalitarian tradition, Thomas Jefferson, could be called to support the idea of a natural aristocracy of talent. But business spokesmen did not hesitate to extend their interpretation beyond the safe area of universal consent. To them the differences among men appeared so great that representatives of the able few and of the inferior majority were more to be described by their differences than by the characteristics they held in common.

Individual capacities, they deemed, could vary as greatly as possible and still leave their bearers the products of the same form of life. Inequality is as deep-rooted as it is extended. It is an expression not of the fortuitous social arrangements which man has developed but of the laws of nature and of God. As such, it is an ineradicable element in man's nature. If man himself makes so bold as to try to tamper with it he will destroy not the inequality of his natural endowment but himself. Here indeed is an irrevocable decision of nature, which even the deity is possibly powerless to change.

The extent of the inequality among men is clearly revealed by the immunity of the superior few to the infectious influences which afflict the masses. Their constitution is such that they thrive on that which poisons their fellows. It is in this connection that business spokesmen reveal the assumption that good and evil must be defined not as the attributes of particular activities but as a reflection of the quality of the individual involved. That which is an evil practice for the masses may be good for the elite. Even those influences which do not suddenly become healthy in the lives of the few at least lose their damaging power. The masses and the elite live, if not in different worlds, at least within different value systems.

The niggardliness of nature in determining the capacity of the masses was balanced by a prodigal generosity toward the fortunate few. The positive capabilities of the able minority are as unlimited as those of the many are confined. Here are no crude and ill-defined potentialities but the demonstrated ability to sustain and advance an entire civilization. And those in the "kingdom of leadership" are able at the same time to infuse in the masses sufficient orientation to save them from being lost completely in their world of "superficial thinking and loose talking."

Jefferson's "palpable truth" that "the mass of mankind has not

been born with saddles on their backs, nor a favored few booted and spurred, ready to ride them legitimately, by the grace of God" [40] is thus revealed as the grossest delusion. Strip the statement of its negatives and its invidious overtones, and it describes exactly the situation which exists. For business organizations, "to ride them legitimately" means to furnish them the guidance and capacity which alone can prevent their self-destruction. It is precisely this radiation of strength from above that largely explains the existence of that core of virtue which is the hope of the majority. The soundness that the many demonstrate when not agitated appears, after all, to constitute but a mirrored capacity that could not exist for a moment without the life-giving elite.

[40] Thomas Jefferson to Roger C. Weightman, June 24, 1826, in Adrienne Koch and William Peden (eds.), *The Life and Selected Writings of Thomas Jefferson* (New York, 1944), 729.

[II]

To Those Who Have Shall Be Given

WHAT are the forces which determine the nature of man? The spokesmen of American business have made it clear that an extreme disparity of capacity is an essential ingredient in the definition of man's nature, but do they probe deeper, to the factors which lead to this condition? Part of the answer the molders of business theory supplied at the very outset. The laws of nature and of God were held to have cast the frame within which the individual's constitution must be molded. But these frames are of widely varying quality, and each design is broken as soon as it is used.

One may look for more proximate and more predictable forces shaping the nature of man within the over-all pattern of nature. Business spokesmen by no means rely exclusively on a hereditary concept in the study of man's endowments. However widely innate potentials for growth may vary, every individual is subject to environmental influences which condition his development. The play of these forces as well as the naturally disparate personalities on which they impinge must be charted to give a rounded picture of the nature of man.

Almost every phase of the business theory, as expressed through the National Association of Manufacturers and the Chamber of Commerce, will reveal an additional facet of the external determinants of man's nature. Thus every institutional arrangement has its relevance in the molding of those whose behavior it affects. Since most of these will receive separate attention in connection with other areas of business thought, however, only the broader type of external influence will be considered in this chapter. If the business conception of only the most significant of these influences can be established, a second set of fundamentals will have been added to the structure of the business theory.

As the most pervasive of the external influences which condition the nature of man, the general environment in which he develops was held by representatives of the business community to be of first importance. However much most individuals may be inclined to take the general social order for granted, business spokesmen frequently paused to reflect upon it and to assay its effect upon the character of man. And it is at this point that the individualistic bent of the business theory makes its first appearance.

The only environment which fits man's nature, as originally determined by God, is one which leaves him to his own devices in the process of maturing. Each man must bear the responsibility for his own development if he is to realize his true nature. As Dr. Gus W. Dyer, university professor and professional spokesman for the National Association of Manufacturers, put it, "There is but one way to produce a man and that is to pitch him out and give him the reins and let him make himself." [1] Every man will be self-made, then, or he will not be made at all as a man in the best sense of that word.

With self-responsibility for each unique and independent entity as the necessary starting point, what role is left for external forces? Business spokesmen move inevitably to the conclusion that the most natural and helpful arrangement of those forces is an inactive one which leaves man free and unencumbered. The general determinants of man's nature operate best in a negative fashion: By their failure to impinge on man they produce a condition in which his nature can unfold according to its own innate potential.

In discussing the relationship between government and industry,[2] Julius H. Barnes, president of the Chamber of Commerce of the United States, considered this conception of sufficient importance to make it his only guiding criterion. "The one absolute necessity is that, whatever those relations, there shall be preserved for the individual, himself, the largest measure of fair play and the largest field of opportunity in which he can, without injury to his fellows, work his own destiny, by his own character, ability, and effort. That

[1] Gus W. Dyer, "The Open Shop and Democracy," *Proceedings, N. A. M.* (1920), 326. Dr. Dyer, in addition to being a professor of economics at Vanderbilt University and a lecturer for the National Association of Manufacturers, was also a favorite speaker at the Association's conventions during the 1920's.

[2] This problem is considered in detail in Parts III and IV, *infra.*

way, surest lies, National accomplishment, which after all, is only the aggregate of individual attainment." [3] The development of man's nature is thus seen to depend directly upon the extent of freedom he enjoys. Grant the maximum of freedom and he will "work his own destiny" with a maximum of growth.

That environmental determinants can make a contribution only in the negative sense of permitting man's natural growth through noninterference does not mean that these determinants are of little importance. The vital importance of their passive role is clearly revealed by contrast when business considers the effects of an environment which does not meet its standard.

Any attempt to rely on external forces actively to direct or foster man's development means to introduce restraint. The result is a stifling environment in which the natural unfolding of man's personality is impossible. It is man's own qualities of self-reliance and independence, freely operative, that must constitute the positive force. And they wither immediately within the confines of a solicitous or punitive social order.

The most common threat to the free atmosphere in which alone man can thrive comes from the government. James A. Emery was well aware of the direct nature of this threat; "the undue and improper interference of government," he maintained, "breaks down the very thing that a free society hopes to establish and stimulate—self-reliance, initiative, independence of thought and action." [4]

Easily curtailed by any governmental restraint, the positive qualities of the individual atrophy completely under the extended interference of socialism. President Barnes holds that socialist practices "destroy the spirit of enterprise, the individual impulse to thrift and savings." Nor was factual support for this contention lacking. "The demonstration of their result is no longer one of academic speculation, but is recorded in many countries of Europe as having degraded and almost destroyed wholesome industrial, community and family life of entire peoples." [5]

[3] Julius H. Barnes, "America's Conquest of Poverty," *Addresses by the Presidents of the Chamber of Commerce of the United States*, I (1923), 18. This work is hereinafter cited as *Addresses, Presidents of the Chamber of Commerce.*

[4] James A. Emery, "Our Industrial Platform," *Proceedings, N. A. M.* (1920), 272.

[5] Julius H. Barnes, "The Service of Organized Industry," *Addresses, Presidents of the Chamber of Commerce*, I (1923), 10.

The importance of a maximum area of free play for man's development, initially justified on independent grounds, becomes all the more manifest with the addition of historical evidence of the ruinous effect of a cramped environment. Business must accordingly be ready to come to the defense of individualism. "We should not," President Barnes warns his fellows, "remain silent when theorists in public life propose to displace the sturdy philosophy of individual self-reliance and individual accomplishment, with the easy social theory of the care of the State, without individual responsibility." [6]

The business community had available through its most articulate spokesmen a simple test of the merits of any social order as a determining factor in the nature of man. With its theory of natural individualism as a yardstick, the conditioning effect of the American scene as it existed in fact could easily be subjected to measurement of a rough sort. Was the impact of the environment sufficiently restrained to give man a chance to expand unhampered? Or did it stunt his natural growth by trying to mold him positively?

However critical business leadership may have been of specific aspects of the social, economic, and political life of the United States, the general environment in which man was nurtured was held to be close to the ideal. Growing out of a tradition in which every man was believed to have been free to expand to continental proportions, how could it have been otherwise? "America owes much to its heritage of qualities which sent the pioneers of the Old World to these rocky coasts," began President Barnes's tribute to this tradition, "qualities of individual initiative, independence, resourcefulness, impatience against artificial political and social restraints on the able and ambitious." [7] These were characteristics to be found only in men enjoying the maximum of freedom.

Had there remained sufficient "impatience against artificial political and social restraints on the able and ambitious" for this freedom to be maintained? The answer was emphatically in the affirmative. If man's nature was ever to have a chance to unfold with perfect freedom, business felt that it had come in the America of the 1920's. In President Edgerton's words, "There is not now nor has there ever been a country in which it was so easy as in this one for a little business to grow into a big one or for a little person to become as great as his mental and spiritual boundaries permit. Ours is a land of un-

[6] *Ibid.*, 15. [7] *Id.*, "America's Conquest of Poverty," *loc. cit.*, 1.

dreamed of opportunity such as none but a Christian civilization and the genius of democratic institutions could create." [8]

No man's growth need suffer in such circumstances from an oppressive environment. "Every person has the privilege and opportunity of growing as big and rich as he wills to be and as time permits." A low state of development may result from inherent personal deficiencies, but certainly not from any environmental restraint, because "there are no barriers to the highest success in this country which any person of persistent ambitiousness and honesty of spirit, normal mental capacity, and unflagging energy can not break through and conquer." [9]

The milieu of the United States belongs in that happy category of general environments, then, which are most conducive to the full realization of the nature of man. As one might expect, increasing numbers were taking advantage of these ideal conditions of growth. "It took me less than seven years," observed Charles M. Schwab from his vantage point of long leadership in the steel industry, "to become general manager of the plant I went into as a dollar a day laborer, but that is happening all over the country today." With a minimum of artificial social restraint, "there are so many instances of phenomenal success that we don't pay as much attention to individual triumphs as we used to. Stories of success have become rather trite in America." [10]

However ideal the external environment, the consideration of man's capacities made it clear at the outset that the business theory holds most men congenitally incapable of taking advantage of their opportunities. The chance for unbounded growth involved in an absence of external restraint means nothing to them. Doomed to inferiority by their own incapacity, their natures can be more distorted by a restrictive environment but cannot be elevated in any case.

For those who are able to meet the responsibility of self-development, however, more specific and positive external influences lie in store. As a result of their original superiority, they will expose themselves to the most beneficial occupational influences and there-

[8] John E. Edgerton, "Annual Address of President Edgerton," *Proceedings, N. A. M.* (1922), 115.

[9] *Ibid.*

[10] Charles M. Schwab, "What I've Learned About Business," interview reported by Edwin C. Hill, *Nation's Business*, XVIII (February, 1930), 37.

by be elevated to an even greater superiority. In this combination of circumstances is to be found the molding of an elite.

A number of heavy-handed hints as to the identity of the elite were incidentally dropped in the consideration of the capacity of the superior few. But it is only when leaders of business organizations turn to the forces which produce this superiority that they can squarely face the question of the identification of the elite as such. A. B. Farquhar, an early leader in the National Association of Manufacturers, suffered no embarrassment when it was necessary to unveil the identity of the able few who had been acclaimed as the supporters of civilization. "The manufacturer is a great constructor," he observed before moving on to less restrained description. "He gives the country its wealth. It comes from him. The manufacturer is by far the most important of all classes. No class could do without him. We would be living in caves, dressed in skins today, except for him, and everything should be done to encourage the manufacturer." [11]

Others would amend this statement to include all successful businessmen, but they would readily agree that within the body of the elect the manufacturer enjoyed pre-eminent status. E. W. Howe, a favorite contributor to *Nation's Business* who was always affectionately referred to as the "Kansas Sage of Potato Hill," perhaps put the case most simply and in its most widely accepted form. "Business men," he submitted, "have better ability and philosophy, and are more useful, than writers, soap box orators, politicians and statesmen. . . ." [12]

How is the businessman molded into this superior creature? So far as the role of external forces is concerned the pattern is plain. Since the beginning of the industrial period, when "large fortunes were made during the Civil War" and "the development of the country . . . led to great riches and personal wealth," there has been but one course of action for those able to respond to their opportunities: "the men of real ability in the United States have devoted their time, their energy, and their money to the pursuit of wealth to the neglect" of all else.[13] The general environment needed

[11] A. B. Farquhar, "Remarks of Mr. A. B. Farquhar," *Proceedings, N. A. M.* (1920), 57.

[12] E. W. Howe, "The Submissive Business Man," *Nation's Business*, IX (February, 1921), 12.

[13] Mulliken, quoted in "The Vote Campaign of the National Association of Manufacturers," *loc. cit.*, 7.

only to make this opportunity available; they did the rest. If men of superior ability are those who choose business as an occupation, businessmen become by definition the superior class.

But there are also the effects of specific occupational influences to enhance this original superiority. In substantiating the hypothesis that businessmen constitute the elite, business spokesmen submit that it is the impact of these more positive external forces which gives to the able few that extra quality which makes a true elite.

In the first place, experience in business brings into play that aspect of human nature which represents any man's finest attributes. On this score Glen Buck, a businessman heralded by *Nation's Business* as being also the ablest interpreter of the role of American business, reflects, "I sometimes think that the best side of a man is his business side. He is apt to think best with that part of his brain. He is apt to act best with the muscles that control that side of him. In giving exercise to that which is best in any man, business naturally refines his nature. "Away from business, he may be traveling nowhere at 60 miles an hour, but in his work he must keep steady pace and his eye on the goal. He is delightfully disciplined by his work." [14]

John E. Edgerton, just before his election to the presidency of the National Association of Manufacturers, discerned a second positively elevating effect of business experience on the character of those wise enough to devote themselves to it. An executive role must almost necessarily imbue one with an added breadth of human sympathy "They come into contact with men, large numbers of men, and as a rule they have become broad in their conceptions, broad in their sympathies and tolerant in their attitude toward the weaknesses of their fellow men." [15] Here is a type of training which perfectly fits the recipients for a role in the elite: at the same time that it develops their own character it gives them that tolerance toward the "weaknesses of their fellow men" which is essential.

In the third place, occupation with business affairs imbues man with a realistic outlook which is needed to balance his expanded human sympathies. As E. W. Howe explains, maudlin sentimentality is as great a defect as rigid intolerance. "I never knew a great sentimentalist who had clear common sense," Howe observes. "Somewhere he is an ass. Marx was; Rousseau was; Lenin is, whereas

[14] Glen Buck, "This American Ascendancy," *Nation's Business*, XV (March, 1927), 15.

[15] John E. Edgerton, "Industrial Relations," *Proceedings, N. A. M.* (1920), 292.

common sense is the first essential in the practical life of a worker." [16]

No leader whose view of mankind is colored by such sentimentality can properly claim membership in the elite. "In the United States, particularly in recent years, we have rarely had a political leader who was not a gross sentimentalist; whatever habits of thrift, common sense and economy the people naturally have, the leaders have tried to shame them out of them." Effective leadership must inspire the masses to "the economy, discipline and industry necessary to every individual or organization of individuals, but our most prominent statesmen have nearly all encouraged the people in bad habits." This is a direct result of a hypersensitive sympathy toward every desire of the people. Experience in business alone can develop breadth of tolerance without shallowness because of its disenchanting exposure to unadorned fact. Rather than indulging in sentimental orgies, businessmen "have learned the simple facts of life, and neglect nothing of value. In the search for good and true things, and application of them, business leads." [17]

What are the limits to the elevating influence of business life? It appears that there are none. President Edgerton, for one, submits that "no other class of citizens has had as ample opportunity for the development of the qualities of leadership in all things of a constructive character." Thus the problems with which manufacturers grapple daily lead to "a more intimate knowledge of the operations of economic law, a broader experience in organizing and utilizing the abilities of men, and a clearer understanding of human relationships than any other group in society." Even the problems of their employees are easy for them to understand. "The overwhelming majority of them were employees before they were employers, they have felt the sting of want and the lash of necessity, and better than anybody on earth except the people they employ, they know the viewpoint of the wage-earner." [18] And if they must share with their employees an intimate knowledge of the employee point of view, they assuredly do not share their other advantages with them. The complete assortment of external forces which sharpen the inherent superiority of the few into the fineness of an elite is reserved to the business community. Thousands of ordinary businessmen may have

[16] Howe, "The Submissive Business Man," *loc. cit.*, 12.
[17] *Ibid.*
[18] Edgerton, "Annual Address of President Edgerton," *Proceedings, N. A. M.* (1922), 118.

been completely unaware that they should lay claim to such olympian stature, but their more self-conscious colleagues in the leadership of the National Association of Manufacturers and the Chamber of Commerce spoke for, even if they did not truly represent, all of American business.

If external forces play an important role in determining the nature of man, they may also be expected to offer objective criteria with which an observer can measure the worth of an individual. Representatives of the business community not only consider that external forces play both a negative and a positive role in determining man's character; they go further to hold that in these forces may also be found determinants in the sense of units of measure. In a free environment the able minority will be encouraged to select business as an occupation and the successful members of that minority will in turn enjoy the type of experience which makes an elite. If this pattern works with such great regularity and impartiality that undeserved business success and unrecognized ability are equally uncommon, the criterion for evaluation is evident: a man's worth may be judged by his business success.

Both of the prerequisites for making business success a universally reliable test of man's worth are readily fulfilled in the business theory. Under the ideal conditions which have been described as characteristically American, no one achieves undeserved success. "The name of every man that appears conspicuously in the history of America was written by his own efforts," business assured itself, "and on our national scroll of honor there is not a name that was forged by the hand of undeserved preferment or of a prestige that was not earned." [19]

Similarly, the failure to strive for and attain business success may be relied upon, in the American environment, as an index of deficiency; there is no danger that it may represent rather a lack of interest or a lack of opportunity. Charles N. Fay cogently explains this point. "The main reason, why the poor man is and remains poor, is lack of brains; lack of wit to earn, thrift to save, and knowledge to use his savings." [20] The environment serves, after all, to reveal man's inherent capacity as well as to mold his nature. "A very few men in every hundred or thousand have industry, brains *and* thrift, all three; and *they* get rich fast." [21]

[19] *Ibid.*, 115. [20] Fay, *Business in Politics*, 103. [21] *Ibid.* Emphasis his.

The reliability of business success as a test of the worth of man's nature is thus substantiated at both ends of the scale. What is a man worth? *Nation's Business* can answer with confidence:

> The sons of men you cannot standardize,
> Or rate their value ere the same be known.
> Our mighty hoard their huge, uncounted prize
> Within the hearts of fellowmen alone.
> Start the norm fair; then let each brother learn
> *A man is worth the wages he can earn.*[22]

Financial success is a perfectly reliable test of man's worth, then, because it always reflects the individual's business ability without distortion. But is it also universally valid; that is to say, can it be equally relied upon actually to measure that which it purports to? Financial success as an index might well record every subject's business ability and thus be reliable; but if it mirrored business ability alone it could not be accepted as a valid index of man's worth in every field. In analyzing the capacity of the elite and in identifying this elite with business by demonstrating that the forces molding it were focused exclusively on businessmen, the business theory has adumbrated its answer to this query: Business success demonstrates man's worth, not in business alone, but in every field of activity.

The suggestion that business capabilities are universally transferable appears to involve not the least exaggeration. Thus, if one begins his check on the general validity of this index of human worth by searching for the greatest talent in the realm of philosophy, he must ultimately discover that it is inseparable from business success. "Business is not the rogue we have been led to believe," averred E. W. Howe in exposing the shallowness of the detractors of business. "On the contrary," he explained, "its philosophy is the truest, fairest and most important in a world of rogues."[23]

But business experience involves more specific ancillary talents than those implied in the truth, fairness, and importance of its philosophy. Such a highly specialized art as that of creative writing yields immediately to the application of the businessman's abilities. In reviewing a book by President Barnes of the Chamber of Commerce, appropriately entitled *The Genius of American Business*, Howe argues that "Mr. Barnes should not only write again, but in-

[22] Phillpotts, "A Reply to Socialism," *loc. cit.*, 26. Emphasis his.
[23] Howe, "The Submissive Business Man," *loc. cit.*, 12.

duce members of his organization to write." This desire to see businessmen divert some of their energies to literary work emerged from an appreciation of the degenerate condition to which belles-lettres had sunk in the monopoly of artists. "Our literature has reached so low a stage that I recommend that business men come to its rescue with their superior practical intelligence and direct approach; and the best literature is no more than superior practical intelligence, any way you look at it." [24]

A third corollary of business excellence is a talent in the field of public affairs. In ascending the heights of business success one incidentally acquires a peculiar power to penetrate nonbusiness problems. As a result, "a journeyman who has advanced to foreman, superintendent or employer has much more valuable ideas about public affairs than any other type of man." [25]

Just as it developed that there were no limits to the elevating influence of occupational forces at play in business life, so it develops in this connection that there are no limits to the breadth of nonbusiness talents that can be expected from business success. President Edgerton supports this conclusion by observing, "Every individual and group who have through honest processes and just practices builded big business are large contributors to the glory of our great country as well as to its aggregate wealth in which all citizens share. They have thus given conspicuous evidence of their capacity for helpfulness in governmental or any other matters requiring extraordinary qualities. . . ." [26]

Business success is accordingly as valid as it is reliable as a measure of man's general worth. The occupational forces which mold businessmen into an elite do not give them superiority in the field of business alone. To evaluate the character of a man from any point of view one may rely on the same test. *Nation's Business* itself demonstrated how this technique of measurement could be employed in an article on Homer Ferguson, a company president and former president of the Chamber of Commerce. It began its examination of his ideas with the question, "Who is he?" The answer: "He is a successful shipbuilder at Hampton Roads. That is all that need be

[24] *Id.*, "Comment from the Kansas Sage of Potato Hill," *Nation's Business*, XII (July, 1924), 36.
[25] *Id.*, "The Submissive Business Man," *loc. cit.*, 12.
[26] Edgerton, "Annual Address of President Edgerton," *Proceedings, N. A. M.* (1922), 115.

said about that phase of him. An unsuccessful man might speak with the tongue of an angel and we would not listen. Why should we? Yet it is not in Ferguson's bank account that we are interested. He has made good and therefore he is entitled to a hearing." [27] External determinants do indeed supply an index of man's worth in the process of molding him. Infinitely easier to check than his angelic qualities, his bank account is at the same time a more reliable indicator of noncommercial virtues.

The pecuniary standard on which the *Nation's Business*' estimate of man's worth was based may even be applied in reverse without losing its absolute certainty. Not only does financial success in the world of business attest to a variety of talents, but financial success may also be used as a test of true talent in those entirely occupied with fields traditionally considered noncommercial. William Feather elucidated the complex applicability of this test as follows:

> The business idea is that a first-class product, well presented to the public, finds a market. A business man weeps no more over the bankruptcy of a dramatic critic than over the same misfortune of a delicatessen dealer. The dealer's intentions may have been honest and he may have stocked the same brands of liverwurst as his successful competitor, but something must have been wrong with his salesmanship.
>
> Just so with the critic, if his work was good he wasn't a salesman and consequently must suffer. Usually, though, the business man has observed that the world rarely misses giving approval to anything that is of high merit.[28]

In no endeavor can a man be judged capable unless he has some element of the businessman's nature in his constitution. No one who has attained posthumous fame was a genuine genius because part of the definition of genius is salesmanship: "Genius seldom dies unnoticed; if it does it isn't genius because part of the art of genius is ability to compel recognition." [29]

What determines a man's nature? In part it is his inherent capacity, as has been revealed above and will again be demonstrated in considering man's motivations as molding forces. But in part it is also the impact of external forces. If he is inferior, a man cannot be developed by either an active or a negative environment. But if he

[27] Homer Ferguson, "A Plea for Inefficiency in Government," told to Herbert Corey, *Nation's Business*, XVI (November, 1928), 20.

[28] William Feather, "Why Boast of Not Making Money?" *ibid.*, 120.

[29] *Ibid.*

has an innate potential for greatness, and if the environment is not oppressive, he will be encouraged to enter business and, by his occupational experiences, will be guided to a place in the elite.

What is a man worth? His financial success gives an accurate answer because it reveals not merely an elite in the world of business but in the world at large. "A man is worth the wages he can earn."

[III]

Selfishness in Action: Avarice to Public Service

MAN'S motivations, the chief internal force helping to mold his nature, constitute an even more important ingredient than external determinants in the political theory of militant business leaders. Closely related to his inherited capacity and subject to some modification through the play of external forces, man's motivations are nonetheless of sufficient independent significance to play a major role in the determination of his nature.

The general interpretation of motivations unfolds in the hands of business spokesmen as a logical extension of the theory of individualism and, in the process, lays a foundation on which the content of more specific drives is built. From the point of view of political theory perhaps the most basic question to be answered in any interpretation of man's motives is whether they are essentially egoistic or altruistic. On this question the stand of business leadership in the 1920's was unequivocal. The concept of natural co-operation is rejected as completely unrealistic.

Charles N. Fay observes that any such "fair pipe-dreams entirely vanish before the grim reality,—as history proves a thousand times, and as every man of large executive responsibility knows by personal experience." What is the "grim reality" which business comes to know automatically and which others may learn to recognize from the study of history? "*Human beings are not fundamentally cooperative, but on the contrary are individualistic. They are not altruists, but self-seekers, if we tell the honest truth.*" [1]

Fay was not alone in his willingness to face reality. The Honorable Ben W. Hooper, as a recent Harding appointee to the Railway Labor Board, explained to the National Association of Manufacturers both

[1] Fay, *Business in Politics*, 95. Emphasis his.

the long tenure and the importance of man's selfish motivations. In the response to this internal stimulus he found the secret of centuries of progress. "The pleasure of achievement, advancement and acquisition; this is the God-given reward of human effort. This individualistic motive-power has driven mankind onward and upward, along the highway of social and industrial progress. Through thousands of years, it has been the mother of invention, the mainspring of all industrial activity and the inspiration of ambition and hope." [2]

Under closer scrutiny reality becomes conspicuously less "grim." The drive for self-aggrandizement is seen to have, not merely the longevity of thousands of years, but the most respectable lineage conceivable. It is as old as man himself, and therefore must be viewed as an integral part of his nature. "Inherent as it was in the progenitor of the race, it impelled him to seek knowledge and power even at the expense of luxurious idleness in the Garden of Eden. Deliberately he chose the course which meant to him the rugged path of toil and to his helpmeet sorrow and travail in the mothering of the race." [3]

Paradoxically enough, the fall of man spelled his eventual elevation to even greater heights. The puissance of his selfish desires was great enough to drive him from the luxury of co-operation to follow the individualistic course prescribed by his nature; but all his struggling led him back, in one of the grand ironic circles of history, to the luxury he had rejected. To his hearers, Hooper pointed out that "since that day, when Adam and Eve passed out before the Angel of the flaming sword to grapple, empty handed with the forces of nature, the struggle has never ceased. Then they walked with naked, bleeding feet, but today their billions of descendants fly swiftly across the land, upon the sea and athwart the sky, ministered to by the subjugated powers of all the elements. These results have been attained by labor, mental and physical, and the dynamo from which all this exertion came is the individualistic nature of each human being." [4] The "pleasure of achievement, advancement and acquisition" gives these conditions an attractiveness they could never have under a paternalistic regime, however divine its administrator. The dynamo of selfish individualism had created a second, and its very own, Garden of Eden.

[2] Ben W. Hooper, "Address of Hon. Ben W. Hooper," *Proceedings, N. A. M.* (1923), 341.
[3] *Ibid.*, 341–42.
[4] *Ibid.*, 342.

Not only have man's selfish motivations always been a demonstrable part of human nature in the past, but they will continue to play the same role so long as man survives. From this point of view, any ideology of co-operation, such as socialism, becomes a theory for fools and fanatics.[5] In view of the idyllic conditions which active egoism was competent to produce, proposals that it be abandoned left business spokesmen incredulous. But they did not blink reality. "Strange to say," they were reminded, "the world has now reached the point where it is seriously proposed to remove from the machinery of society this dynamo of individualism and to undertake to substitute for it a thing claimed to be a new motive power, called socialism." [6]

The rigorous honesty of the business leader's stand on this question is suggested by the fact that Hooper is ready to concede the feasibility of a socialistic program, if the controlling assumption of a change in human nature be granted. "If human nature had indeed undergone a metamorphosis which destroyed the individual identity of each man by melting and welding all men into a socialistic mass, then the socialistic government might succeed," he cheerfully acknowledges. "If each man had ceased to be a self-centered, sovereign ego, with a body and soul of his own and a personal relationship and responsibility to his Creator, then it might be possible to make him a cog in the proposed socialistic machine." [7]

In point of fact, however, it is so obvious that man's age-old selfishness has not yet disappeared that such a program is completely incompatible with human nature. Each man continues to be "a complete mental and physical machine within himself, adapted it is true, to co-operative effort with other men, but such co-operative effort being always inspired primarily by a desire to obtain benefits and only secondarily to give them to others." As of the third decade of the twentieth century, one could still say that "man enters the world as an individual, he passes through it as an individual and he steps out into eternity as an individual." [8]

Charles N. Fay adds the final capstone of permanence to the structure of man's basic motivations. Despite these demonstrations

[5] Although the question of the proper functions of government will be examined in detail in Part III, the rejection of socialism is based so squarely on the interpretation of man's motives that it must be noted here.

[6] Hooper, "Address of Hon. Ben W. Hooper," *loc. cit.*, 342.

[7] *Ibid.*

[8] *Ibid.*

that individualism is still the driving force behind man, he notes that reformers aspire to effect their change in the future; "*no socialist, collectivist, or progressive, takes the least account of such trifling things as fact and human nature! 'We'll pass a law,'* say these dreamers, 'and *change* human nature!' " This is as preposterous to Fay as their concurrent "assumption that it *has* changed" and for the same reason—"it never changes!" [9]

Another basic aspect of human nature is thus revealed as immutable. If, while enjoying the delights of the first Eden, man could not adjust to the edict of his creator because it ran counter to his selfish motivations, he most assuredly cannot adjust to similar man-made laws issuing from a socialistic congress.

Although man's egoistic drives are not subject to change, the personal achievement which is the object of those drives might conceivably be blocked. But the architects of business theory maintain that the results would be as disastrous to mankind as any attempt to level man's capacities was earlier proved to be. A committee of the National Association of Manufacturers bleakly pictures the frustration and eventual sterility that must be expected if man's selfish desires are inhibited: "Deprive the ego of the hope of distinctive reward and you not only wither personal ambition but dam the stream of natural progression." [10] The void which would be left without the hope of invidious distinction is also reflected in *Nation's Business* in verse form:

> Destroy the will to win and who remain
> Can sharp our wits, or better our degree?
>
> . . . . . .
>
> Strive the unborn shall fight their battle free,
> Clean of their blood, unhandicapped and sane;
> But moral evolution we disdain
> By dedicating all to slavery.[11]

In portraying the deadly dullness that would engulf mankind without the fruits of success to whet each ego, business spokesmen consider their theory of the general role of man's motivations to be complete. Even in its general form, this theory is highly suggestive.

[9] Fay, *Business in Politics*, 94. Emphasis his.

[10] "Report of the Committee on Industrial Betterment, Health and Safety," *Proceedings, N. A. M.* (1920), 69.

[11] Phillpotts, "A Reply to Socialism," *loc. cit.*, 26.

It has revealed that the internal promptings to which men respond always impel them to seek advantage for themselves rather than to co-operate with their fellows in promoting the general weal. Nor is this selfishness to be lamented; on the contrary, it is responsible for the miracle of human progress.

One may rejoice, then, to learn that men are not only irresistibly attracted to forbidden or distinctively labeled fruit today, but that they always have been and always will be, whatever arrangements gods or mortals may make to the contrary. The only modification possible would be to liquidate the objectives of perennial self-seeking, and this would succeed only in emasculating man's vitality, and so end all progress. The ego may indeed be called "sovereign."

But what is the content or substance of man's motivations? That they are selfish and individualistic we know, but in what form do they seek expression? The understanding of man's motivations as a molding force may be considerably sharpened when business spokesmen turn to these questions. And they do so when they begin to fill in the outline of their general interpretation and to give it specific application.

In the business theory the economic type of self-aggrandizement so far overshadows all others as to become virtually synonymous with man's selfishness. The ego may also be satisfied in other ways, but when business leadership speaks without qualification of such things as "ambition," "self-seeking," "distinctive reward," or "pleasure in acquisition," it takes it for granted that they assume an economic form.

Any belief that man's selfish struggles may be primarily directed toward spiritual or political achievement is quickly dispelled by reference to authority. The National Association of Manufacturers' *Pocket Bulletin* could proudly call for testimony from Abraham Lincoln as to the object of man's endeavor. "*Property* is the fruit of labor; property is desirable; is a positive good in the world." Human motives, although selfish in nature, are focused upon a laudable objective, the acquisition of property. Not only is this objective a positive good per se, it is even better when unevenly distributed because it ensures that all will be similarly motivated. "That some should be rich shows that others may become rich, and hence is just encouragement to industry and enterprise." [12]

[12] "Great Exponents of American Industry," *Pocket Bulletin*, XXVII (February, 1927), 1. Emphasis added.

The Chamber of Commerce unearthed an even older reference to emphasize the economic content of man's basic drives. Readers of *Nation's Business* were assured that "more than two thousand years before the present industrial system came into being, Aristotle set forth the advantages of private initiative!" Individual initiative could be developed, then as now, only through a property system which was congruous with man's interests and motives. "Property should be, as a general rule, private, Aristotle maintains; 'for, when everyone has a distinct interest, men will not complain of one another, and they will make more progress, because everyone will be attentive to his own business.'" [13]

However well supported in the past, the philosophy of egoism, especially in its economic form, had reached its highest development in the United States. President Barnes considered America's success in harnessing human motivations directly responsible for its prodigious economic development. "Consciously or unconsciously," he observes, "American industry knows that its peculiar social and political philosophy, stimulating the effort of the individual through assurance of a fair field for effort and of a secure reward for superior service, has become the very precious mainspring of American accomplishment." [14]

The true American, then, is cognizant enough of the benefits derived from selfishness to pursue his individual interests relentlessly. "The 100 per cent American believes in the doctrine of selfishness," William Feather proclaims, "although he is often ashamed to admit it, a fact which leads him into bleary sentiment when he undertakes to define service. The American idea is that every man is out to promote his own interest, and he has discovered that the best way to do this is to make himself useful to others. In the ratio that he helps others he will prosper." [15]

With such a direct road to self-satisfaction open to all, the discerning American must regard any act of altruism as an unfortunate aberration. "When a man quits productive work to Do Good, the American asks: 'What's he after?' It is inconceivable to a 100 per cent American that anyone except a nut should give something for nothing."

[13] Silas Bent, "Modern Problems? They're Old," *Nation's Business*, IX (September, 1921), 16.

[14] Barnes, "The Service of Organized Industry," *loc. cit.*, 8.

[15] William Feather, "A Fourth of July Speech—New Style," *Nation's Business*, XIV (July, 1926), 14.

The doctrine of selfishness is thus so widely accepted that it offers a test, if not of one's sanity, at least of his Americanism. In applying this test Feather submits that "although he is the author of 'The Americanization of Edward Bok,' Mr. Bok is un-American." Since Americanism is always expressed in the pursuit of economic distinction, it is a simple task for Feather to substantiate his contention. "In proof of this I cite that he has quit work and is now attempting to Do Good, and conducting a vigorous propaganda to induce other business men to do likewise. Bok is ashamed to work. He is ashamed of profits. He regards trade as inferior. Doing Good, patronizing the stupid and weak, giving the people something they don't want is his idea of a worthwhile life." [16]

The "bleary sentiment" which issues in good works that are wasted on the "stupid and weak" has no place in the realistic theory identified with American business. "I contend that no 100 per cent American subscribes to such a doctrine," Feather indignantly submits. "The American understands that a first-class executive can do more good at the head of a great corporation than he can by making poor speeches or writing worse poetry. No greater calamity could befall this nation than that its business geniuses should resign their positions to direct symphony orchestras and little theaters. The 100 per cent American understands this and he laughs at his European-minded compatriots who go in for uplift."

That the business community is joined by all true Americans in rejecting altruistic motives is demonstrated by the fact that selfishness unashamedly applied wins their greatest respect. "The John D. Rockefeller who gives away millions is not a hero, but the Rockefeller who made a billion dollars out of oil is a hero. The Carnegie who made steel and millions of dollars was a hero, but the Carnegie who gave medals to heroes and built libraries was just a sweet old lady." [17]

In another connection Feather admits that history may never rank the businessman above the politician or the poet, but so far as the living ideology of the people is concerned "there is no doubt that the American business man is the foremost hero of the American people today, and I for one think the people have chosen their heroes wisely." [18]

Because America, with business in the vanguard, has extended the

[16] *Ibid.* [17] *Ibid.*
[18] *Id.*, "Why Boast of Not Making Money?" *loc. cit.*, 120.

theory farthest does not mean that economic selfishness is exclusively American. Just as egoism is a universal phenomenon, so is its economic content. To President Barnes, as to Alexis de Tocqueville a century earlier, the American experience appeared as a test of what might be expected everywhere under conditions of freedom. And to President Barnes it was clear that the ubiquitous appeal of economic self-interest would lead the entire world down the path America had lighted. "History and human psychology should teach us that, fast or slow, the 16 hundred million humans existing between [the] disparities on the scales of living standards will advance along the trail that America has blazed." Ordering their lives in the image of 100 per cent Americanism, they will find that their "wants will expand, that possessions and wealth will increase, that trade will grow. . . ." And the motive behind these changes will be exactly the same as that which led Rockefeller to become a billionaire hero. "These forces will be set in motion under the urge of individual gain. These forces will seek those fields in which there is the freest play for that most proper human ambition. . . ." [19]

The economic content of man's most deep-rooted motivations is no more restricted to the area of business pursuit than it is to any one country. Those in other fields of endeavor go further than making successful businessmen their heroes; they emulate them in their response to economic motives.

Thus the force of inventive genius is derived, not from an urge to expand human knowledge, but from the stimulus of economic gain. "Invention is the product of the genius of no single nation, or single people, but of patient and exhaustive research and study," President Barnes warns, "and it requires the support and stimulant of quick and sure and large reward for successful consummation." [20]

[19] Julius H. Barnes, "The Road to Better Times," *Nation's Business*, XVIII (December, 1930), 110. A native of India appearing before the National Association of Manufacturers at its 1923 convention put this idea in extremely interesting perspective. He prefaced his remarks with this observation: "I beg to say a few words regarding certain remarks that have been made about your humble servant. They say that I have been converted to the spirit of Americanism. Well, I am proud of that distinction bestowed upon me, and to return this compliment, the least I could do is to convert you to the spirit of Indianism." M. A. J. Noble, "Address of Mr. M. A. J. Noble," *Proceedings, N. A. M.* (1923), 217. There is no indication that this remark was interpreted by his audience as suggesting that a two-way flow of cultural concepts would be necessary. Quite possibly it was taken as added proof of the fact that the complex of motives and behavior patterns called "Americanism" was not only eagerly accepted but already largely integrated into other cultures.

[20] *Id., The Genius of American Business* (New York, 1924), 120–21.

That the most marvelous new discoveries should come to the United States was therefore a certainty. "The very structure of American industry, its adaptability to new invention, the progressiveness of the American consumer market which welcomes new devices, hold out the sureness of generous reward for superior inventive ability." [21]

Literature similarly thrives on the profit motive. In reviewing the wholesale attack on business values in James Truslow Adams' *Our Business Civilization*, William Feather notes that "Adams is led to assert that the need for making a profit is at war with the spirit of all the arts." In point of fact, exactly the opposite is true. For "all that we know of Shakespeare, the greatest of poets and playwrights, indicates that he had one eye on the box office when he wrote his lines. Thackeray, Scott, and Dickens did no writing 'for fun.' " [22]

What drove these universally acclaimed geniuses on? Obviously it was not, as the literati so often assume, the delicate temperament of the artist imbuing these writers with a compulsive necessity to give their deepest insights to the world. On the contrary, every insight had its price tag, and it was inspired by precisely the same prosaic motives that stimulate the steel magnate or the corner grocer. "They had bills to pay, and they were moved by the identical economic urge that prompts a business man to get out of bed in the morning, however cold his room may be." [23]

Nor could one point to the church as offering exceptions to the operation of individualistic economic drives. Dr. Dyer was ready to dispel any such illusion with no uncertainty. Ministers may occasionally feel obliged to disparage selfish competition as a vestige of the pre-Christian law of the jungle, but this does not reflect their true beliefs. Those "preachers that denounce it, are in it. Preachers compete." [24]

The only modification that the economic form of man's egoism experiences in the life of the clergy lies in the peripheral area of semantics. With the robes of the clergy one learns to cloak his raw economic motives in more euphemistic phraseology. As Dr. Dyer points out, "Preachers all recognize competition. They all compete

[21] *Ibid.*, 121.

[22] William Feather, "What I've Been Reading," *Nation's Business*, XVIII (February, 1930), 158.

[23] *Ibid.*

[24] Cus W. Dyer, "Service Through Industry," *American Industries*, XXVI (December, 1925), 43.

for the big churches." But from the pulpit it sounds quite different than from the corporation report. "They call it 'larger field of service.' While you call it 'more money.' I suggest you change your phraseology. The strange thing is that the larger field and increased salary always go together." [25] That business spokesmen were not loath to follow such Machiavellian advice will become clear below.

Convinced that the undeniable selfishness of people in all lands and occupations is primarily economic in content, the business community is naturally indignant when it finds itself lampooned as being peculiarly responsive to this motivation. Its defense lies in pointing to the vital importance of the economic drive and in revealing its universal application.

> Babbitts—though we jeer and flout them—
> We could never do without them.
> Artists all—we would be beggars
> Were it not for Butter 'n' Eggers.
>
> For though Art is very swell, it
> Hardly pays unless you sell it.
> And the artist—ain't it funny?—
> Like the Babbitt, values money.
>
> Also rather likes to grab it
> From the much-enduring Babbitt.
> Babbitts great and Babbitts small
> Speaking frankly 'Aren't we all?' [26]

Thus far the structure of business thought on the nature of human motivation and its principal form of expression has been built in straightforward, utilitarian lines. But when business spokesmen consider the variations to which this ostensibly simple economic urge is subject, a number of friezes and cornices appear to blur the plainness of the structure. Despite the categorical proposition that there are no exceptions to either the selfishness of man or its economic expression, it soon appears that the doctrine must account for certain refinements before it can be called complete.

It would appear at first glance that if any attribute of humanity

[25] *Ibid.*
[26] Berton Braley, "Babbitt Ballads," *Nation's Business*, XVI (January, 1928), 29.

was to be held alike by the few and the many, it must be this universal motivation dating from Adam. The urge to economic self-aggrandizement does indeed stimulate all mankind, but the drive may be either degraded or sublimated to such extreme degrees that it becomes scarcely recognizable as having had its origin in a common human impulse.

In singling out the masses for special consideration, the business theory begins by reinforcing the impression that they are subject to the same type of drives that inspire the few. As Charles M. Schwab explains on the basis of his own experience, "All my life I have maintained that the men under me were human beings, with something of the same desires and motives that I have had, and that they were as likely to be right within their sphere of understanding, as I was. Many times when they didn't think the way I thought, I could see, nevertheless, that they were perfectly sincere." [27]

The masses may be regarded as "human beings" imbued with at least "something of the same desires and motives" as the few, but these motivations are not exactly the same. And even that rough similarity which they possess exists only so long as the masses are not led beyond "their sphere of understanding," which, in the analysis of man's capacity, was revealed to be very narrow indeed.

These reservations are of the greatest significance, but they do not imply that, as human beings, the many do not respond primarily to economic stimuli. President Edgerton observes with confidence that "surely there is not a little business in the world that is not striving with more or less of vision and energy to be a big business; and there is not a little man who would not like to be as big as the man whom he raises his eyes and voice to criticise or condemn." [28] The masses are thus molded by selfish economic drives in keeping with the general theory of American business on motivations, but theirs is no simple response to economic stimuli. It is conditioned by the fact that it is an emulative type of drive colored at the same time by criticism or condemnation of their betters.

Ambition is a virtue in the "little man" so long as he "raises his eyes" in awe to regard the attainments of the few as a desirable, but probably unattainable, goal for himself. When mixed with ill feeling for the few, however, ambition may easily shade into avarice, which

[27] Schwab, "What I've Learned About Business," *loc. cit.*, 198.
[28] Edgerton, "Annual Address of President Edgerton," *Proceedings, N. A. M.* (1922), 115.

must remain, for the masses, insatiable. "During the war, standards of living were set up that can not and should not in many instances be maintained," President Edgerton admonished.[29] "Some of the low got a taste of high life and are mad with an appetite for its continuance. . . . In the wake of the world struggle there has followed relentlessly an army of unseen forces moving through the earth and composed of the disembodied spirits of unrest, impatience, intolerance, greed, envy, and invidious criticism of all things that are."

Desire for forbidden fruit in the progenitor of mankind may have been responsible for all of human progress, but the gates of the new Eden which his hunger produced must not be opened to all. If "the low" are given too rich "a taste of high life," the story of mankind will have come full circle: the second Eden will be liquidated by the same human impulse that destroyed the first.

This tenet of the business theory is marred on the surface by an illogical note, but the hierarchy of the national business organizations would insist that the contradiction it seems to strike is more apparent than real. How can the second Eden be destroyed by the same selfishness which destroyed the first when it was constructed by and on that selfishness? The answer lies in the fact that the Amazing Decade was the culmination of centuries of progress under the guidance of the able few who are competent to realize their ambitions constructively. Equally grandiose desires in the inferior masses can lead only to frustration or outbursts of fanaticism.

The economic motives which are common to all find expression in irrational complaint as well as in progress. Even under ideal conditions the inferior respond in so misguided a fashion as to block the realization of their own selfish desires. President Edgerton offers Biblical support for the idea that the economic drives of the unfit have always been misdirected. He points out that the three men in the parable of the talents enjoyed "equality of opportunity for the employment of their talents; and that is the fundamental requirement of any sound system and just government." With each thirsting for economic success, how did they fare?

It is to be noted that when these men reported the results of their labors, the two that were entrusted with five and two talents, respectively, showed that they had made profits of one hundred per cent each

[29] *Ibid.*, 117.

on their invested capital, while the one-cylinder fellow with the one talent complained that he didn't have enough to do anything with and had hidden his one talent in a napkin. In other words, he "struck" because he didn't have as much as the other fellows, also mayhaps, because he felt that the returns from his efforts would not enable him to support his family in the style to which they were accustomed. And while the records don't say, he undoubtedly had a large family. I have often wondered if this original striker were not probably the real founder of our modern labor unions.[30]

Dissatisfied with their lot, however good, and moved by an urge to enjoy the things they cannot earn, the inferior have always turned to inaction and complaint.

What is the source of the dissatisfaction, complaint, and strikes that are thus demonstrated to reflect a basic strain of human nature? "We hear much of 'social unrest,' " Charles N. Fay wrote in 1926; but this he unveiled as nothing but a "pompous phrase for what we used to call ordinary envy or jealousy." The form which egoistic economic impulses assume in the constitution of "the one-cylinder fellow" may accordingly be held to involve a combination of avarice, envy, and jealousy. Incapable of achieving success himself, he intensely resents that of his superiors. "Time and again, in the history of the human race, has the multitude revolted by reason of envy or jealousy against its ruling class or men of brains, who always include its merchants and captains of industry." [31]

It is this tendency of the economic motivation of the many to take the form of envy rather than of simple ambition that manifests its potential for degradation. Assuming them to be focused upon rational objectives, man's economic drives have been lauded as "the very precious mainspring" of progress, but in the lives of the masses even this force may produce dangers to society.

The degraded form of the economic motivations molding the constitution of the masses lends an otherwise inexplicable strength to the appeal of socialism. Since it is unalterably opposed to man's individualistic nature, socialism would appear to be as unattractive emotionally as it is impracticable in fact. But the very vindictiveness of its program gives it pointed appeal to the envious masses. "Socialism is an insidious cult," Ben W. Hooper maintains. "It stands at the elbow of every man who harbors an individual grouch or a

[30] *Id.*, "The President's Annual Address," *Proceedings, N. A. M.* (1925), 12.
[31] Fay, *Business in Politics*, 166, 167.

class grievance, real or imaginary, and whispers into his ear distrust, suspicion and bitterness against the institutions of his country." [32]

However impossible of achievement, socialism demands no more fantastic a twist of the imagination to be pictured in operation than is required to conceive of "the stupid and weak" securing success through any other means. And it is perfectly compatible with their most basic impulses because it offers just the superficial sort of rationalization for failure that the herd unconsciously seeks. "It charges every failure and disappointment to the present organization of society, and, like Absalom of old, when he sought to overthrow his father's kingdom, it says to the discontented: 'O, that I were a judge in Israel.' " [33] Business representatives would thus reverse Marx and say that his creed, in offering psychic compensations for their miserable lot, constitutes the new opium for the masses.

Exposed to a dogma so carefully designed to fit the twisted economic motivations of the inferior, business spokesmen were not considered unreasonably pessimistic when they held that the status of the few was seriously threatened. Even under the near ideal conditions of the 1920's, it was observed that "the number of those who decry success and would impose hobbles upon the feet of those making the fastest progress in that direction seems to be multiplying with lamentable regularity. During the past few years in particular it has been apparently growing more dangerous for a person to outstrip his neighbor too far either in material or moral achievement." [34]

The dangers threatening success were seen to stem directly from the avarice and envy of the unfit. "The penalties of success become more severe as those who would achieve it without earning it become more numerous. Many of those who have nothing want to divide it with everybody else, while others having more cupidity than the energy and intelligence to satisfy it honestly would legislate or otherwise force into their own pockets that which dwells in those of their more thrifty neighbors." [35]

Some consolation could be found in the fact that such organized greed was not American in origin. "Socialism, syndicalism, communism, and other mental and moral diseases with deceiving names

[32] Hooper, "Address of Hon. Ben W. Hooper," *loc. cit.*, 343.
[33] *Ibid.*
[34] Edgerton, "Annual Address of President Edgerton," *Proceedings*, N. A. M. (1922), 115.
[35] *Ibid.*, 115–16.

are among our inheritance from the cesspools of foreign thought." [36] But this solace was short-lived when one realized that their germs found ideal nurturing conditions when transplanted to the American system. Harper Leech, in describing "This Word War on the Capitalist," soberly pointed out that "from its nature a capitalistic society seems fated to support a far greater proportion of parasites than any other form with which we are historically familiar. It seems to be the penalty of plenty." [37]

Even in the United States, then, the economic drives for which the able few find constructive outlets can assume a completely degraded form in the aspirations of the inferior masses. At their worst, the economic motivations of those without ability issue in an ambition which leads them through envy into complete fanaticism.

Leech submits that "social discontent is allied to social parasitism." And for a definition of parasitism he goes to biology. "In nature it appears to be a characteristic of some parasites that they seek to devour their host regardless of the fact that the death of the host as the result of their short-sighted appetites will mean their own extinction." This is the species of parasite to which the critics of capitalism are most analogous. "How else can one contrive an explanation of the frenzied hatred for business, business men and modern civilization which [they] disclose?" [38]

The molding of the parasitic type begins with frustrated economic urges and ends in fanaticism. They "have evidently brooded over their secret envies, fortified by the pathological doctrines of class struggle and proletarianism, until they have reached a point of fanaticism. Yet [they] also disclose a lack of originality or capacity for self-help or control." [39] For such twisted personalities, paranoiac dreams of conquest and plenty offer the only outlet for the basic economic motivations to which all are subject.

Despite the aberrant forms assumed by selfish impulses in the character of the unfit, business spokesmen could end their analysis of the degraded type of self-aggrandizement on a note of optimism. Relying on his knowledge of the nature of man, Herbert Corey dispassionately considers the communist theory and finds that its cen-

[36] *Ibid.*, 116.

[37] Harper Leech, "This Word War on the Capitalist," *Nation's Business*, XIV (January, 1926), 27.

[38] *Ibid.*

[39] *Ibid.*

tral idea is based on an obvious fallacy. What is the appeal of communism to the incompetent but greedy masses? "In a nutshell, the Communist idea is that today's bottom class shall become tomorrow's top class. The men who have not taken advantage of the chance to rise shall displace the men who have risen." [40]

Rather than abolishing the institution of an elite, the "bottom class" would prefer simply to substitute itself for the present incumbents. "The men who have never managed shall oust the managers. The men who have no houses shall take the houses of the men who have. If the able ones attempt to resist the unable ones they are to be shot as they were in Russia." [41]

In this statement Corey raises a point which Barrows Dunham considers to reveal a gross fallacy in the business theory. If "the unable ones" are able successfully to shoot "the able ones," have they not demonstrated that they have been mistakenly classified? As Dunham puts it,

> Consider the doctrine that life is a struggle in which the fit survive and the unfit perish. . . . Well, now, suppose that life *is* a struggle, and suppose that the impoverished masses of mankind join their forces and overthrow the power of the rich. It would follow (would it not?) that the impoverished masses had demonstrated in a most convincing way that *they* were the fit, and the rich the unfit. . . . When you justify violence as a general condition of things, you are not entitled to pick the winners in advance. At all events, a theory which provides equal justification for precisely opposite actions must be in its essence nonsensical.[42]

What defense does the business theory, as shaped by national business organizations, offer against such a scathing attack? It has already been established [43] that success in a financial way proves ability in any field of activity, which would presumably include that of civil strife. One may conclude from this that the answer to the query posed by Dunham would probably be that Russia constitutes a peculiar case and that if the occasion arose business leadership would demonstrate that its inherent superiority includes the area of civil conflict.

The basic defect of communist theory lies in its ignorance of

[40] Herbert Corey, "So This Is America!" *Nation's Business*, XVII (June, 1929), 197.
[41] *Ibid.*
[42] Barrows Dunham, *Man Against Myth* (Boston, 1947), 24–25. Emphasis his.
[43] See Chapter II, *supra.*

human nature. Class-consciousness is the sole and exclusive property of "the unable ones," so that a communistic movement must always lose its leaders as soon as they begin to develop the ability necessary to effect the desired *coup*. In Corey's words, the "weakness of the Communist theory must always be that as soon as a man demonstrates his ability he is apt to become class-unconscious at the speed of a hungry mink. Only the inept and the fanatics will be left behind." [44]

The character of the elite must therefore be unchanging because of the unchanging nature of man's motivations. It was developed in the discussion of man's capacities that it is impossible to level mankind. Now it becomes clear that it is equally impossible to effect an overturn which would substitute one type of elite for another. Since the degraded form of human selfishness is found only in the unfit, the fact that one is capable of leadership means that he will necessarily share in the virtue of enlightened economic egoism.

The business theory holds that, to the unending benefit of civilization, the universal human trait of economic selfishness may be sublimated as well as degraded. Business spokesmen turn as unerringly to the elite for manifestations of the expected sublimation as they did to the masses for evidence of degradation. Nor is their search in vain.

What is the basic motive at play in the molding of the elite? One might well assume that this question has already been answered with the proposition that all men are conditioned primarily by the impulse toward economic self-advancement. Exponents of the business view have also substantiated the contention, however, that the few are so far superior that many of their qualities differ almost in kind from those of the masses. Their drive toward economic self-interest may accordingly be expected to pursue a more lofty path.

It is no easier to recognize the common human impulse of egoism in its sublimated form than it was to identify it in the degraded form of envy. The average businessman may respond chiefly to the profit motive, but the "aristocracy of talent"—the successful businessmen—are moved by a more refined concept of self-interest. In the more rarefied atmosphere of their olympian heights, raw self-aggrandizement becomes refined to the point of extinction.

The elite is moved primarily by the desire to advance civilization.

[44] Corey, "So This Is America!" *loc. cit.*, 197.

With such an objective, petty concern for profit can be only incidental. As Merle Thorpe puts it, "Motives that move a successful business man are primarily motives of serving his fellow men, satisfying their needs for greater comfort." [45] This interpretation appears to be flatly contradicted by the initial propositions that human motives are universally selfish in nature and economic in content. In the eyes of the business spokesman, however, such an argument misses the point. It will soon be demonstrated that the capacity of the elite is so great and their economic success so conspicuous that self-interest itself becomes identified with the general interest.

This is not to say that the few are ashamed of their wealth. They are delighted with great profit, but they are big enough to take it for granted as their proper due and to focus their energies on more challenging problems. "Consider Henry Ford! Where would he be today if he had started out to amass a billion rather than to provide a waiting public with cheap transportation?" [46]

So confident is Thorpe in his knowledge of the motives of the elite that he submits, "I'll stake my reputation on the belief that half of our richest men don't know what they are worth—nor do they care. Their zeal is directed towards achievement—getting a worthwhile thing done." [47] It is significant to note in this pronouncement, however, that "worth" is still assumed to be equated with one's bank balance. They both accrue so automatically for the "few men of genius" that they can easily be taken for granted.

Mr. Justice Holmes's apothegm on this point is fitted beautifully into the business theory: "The prize of the general is not a bigger tent, but command." [48] Charles M. Schwab supports this concept for the business elite by citing his own goal. "It isn't the money—it's doing big things and doing them better year after year." [49] The tent and "the money" simply fit into the natural order of things as a by-product of the quest for power.

"What do you suppose money means to me after all these years?" Schwab asks. "Do you think I'm proud merely because I have built up Bethlehem from an investment of 12 million to an investment of

[45] Merle Thorpe, "Let's Clear Up the Fog!" *Nation's Business*, XVI (January, 1928), 9.

[46] *Ibid.*

[47] *Ibid.*

[48] O. W. Holmes, "Law and the Court," quoted in Max Lerner, *The Mind and Faith of Justice Holmes* (Boston, 1946), 389.

[49] Schwab, "What I've Learned About Business," *loc. cit.*, 36.

800 million? Not a bit of it." But the power of an added 788 million dollars to affect the course of civilization was something else again. "I'm proud of Bethlehem because in it and with it I have created something that happily affects the lives of a million human beings, something big in the picture of America. That is the kind of monument a man likes to raise to his memory." [50] Since the business theory creates no measure of worth other than that found in the financial yardstick, Schwab describes his achievements during the remainder of the interview cited here in material terms. But it is the power to affect the lives of others that most appeals to him.

With the elite satisfying their own needs through the advancement of the general welfare, Eugene Lombard could report that "there is no exploitation in any selfish, ungenerous meaning of the word. We all of us live on, for, by and through one another." Particularly do the unfit live "on, . . . by and through" the fit. "They who are greatly endowed serve most, and mightily, with the riches of their great ability, according to the needs of all." [51]

The irony in the eagerness of the elite to serve "mightily . . . according to the needs of all" is that it leads them to follow one of the central dogmas of socialism. This does not mean, however, that the responsibilities which the few accept voluntarily can be inculcated in the masses through state compulsion. Indeed, even the able few would lose their dedication to social welfare if an outside force assumed the function of defining the role which now comes to them by right of nature.

If the motives of the elite naturally seek such humanitarian forms of expression as these, the business definition of selfishness must be broad indeed to be judged basic in all men. Just as it could descend to the most virulent form of envy, it can rise to the most enlightened identification of one's own needs with those of the world.

How do otherwise purely selfish motives come, in the lives of the few, to transcend self and merge with the best impulses of all mankind? The answer is at least as old as the stake-in-society theory of politics. As one's natural superiority brings him wealth it lifts him in equal degree above the mean self-interest of the masses. Charles N. Fay accordingly knows that his readers can answer his forthright questions in only one way. "Do men naturally incline to plunder

[50] *Ibid.* [51] Lombard, "Where the Surplus Value Comes From," *loc. cit.*, 18.

others when they have abundance themselves? Are not men more likely to lift the burdens of others when they themselves are strong?" [52]

Not only does his wealth prove that the successful man was inherently superior at the outset, it relieves him of any vestigial proclivity to follow selfish motives in their baser form. President Edgerton revealed an awareness of this exemption from base motives when he announced, "Personally, I have a profounder contempt for the employer of labor who may be a crook than for an employee, because the former has better opportunities for knowing the right, less reason for departing from it, and greater obligation to lead through both precept and example." [53] This application of the stake-in-society theory suggests that, even if a member of the elite has not been completely elevated above the common forms of egoism, such motives will be given so little opportunity for exercise as eventually to atrophy.

The greater his wealth and the greater his power "happily [to affect] the lives of a million human beings," the more nearly an individual's self-interest becomes identical with that of society at large. There are many ordinary citizens whose motives are not degraded, but, as Fay observes, "none [have] such great interests at stake" as the "top-notch business and professional men" of a community. However basically honest men may be in other fields, "very few of them can, in the nature of their daily lives, and narrow circumstances, have had prior experience in large affairs—or can even have accumulated property enough to place them above the temptation to make money out of public office." [54]

If one would find the most sublime loss of self in the interests of all, where should he look? Probably no mortal could qualify with absolute perfection, but Charles N. Fay knew where to find the nearest approximation to this godlike quality. In dedicating his book to his former colleagues in the chambers of commerce and business associations of the country, he pronounces this benediction: "*You* are . . . the men who personally have most at stake in the general welfare of city, state and nation; and you are of the few whose large

[52] Fay, *Business in Politics*, 113.
[53] John E. Edgerton, "President Edgerton's Annual Address," *Proceedings*, N. A. M. (1923), 113.
[54] Fay, *Business in Politics*, ix.

means and high standing raise you farthest above that old, old temptation—to govern for your own private profit—which has cursed politics ever since history began." [55]

Logically extended, this theory would hold that if an individual's property could be expanded to the ultimate point, where his stake in society encompassed the whole of that society, then his interests would be perfectly wed to those of the whole. With only such disparities as existed in the 1920's, it meant that the motives of the few were raised above petty self-interest. The stake-in-society theory therefore called for an additional element in the definition of the "aristocracy of talent." From the point of view of human motivation, "it is composed of the relatively few who can see far into the distance and who do not measure compensating values by the prospect of immediate material returns; who do not calculate the cost of maintaining a principle nor hide from obligation behind excuses of selfishness." [56]

The leaders of the most vocal segment of American business took an understandable pride in the rigorous realism of their theory of human motivations as the internal force molding man. Man's selfishness was so basic in their view that they could hold it "inconceivable" that "anyone except a nut should give something for nothing."

But the realism of their view of man did not lead business spokesmen to disillusionment or pessimism. On the contrary, man's egoism was seen to have produced wondrously beneficent, if unanticipated, results. The "dynamo" generating the force required for man's conquest of nature had been nothing other than "the individualistic nature of each human being." Appreciating the fact that the masses were "stupid and weak" as well as selfish, business leaders were convinced that to "Do Good" was to expend one's energies trying to give "the people something they don't want."

Economic self-aggrandizement was described as the focus of man's unalterable selfishness. Although the fruits of the economic drive were most abundantly displayed in the United States, such a basic urge knew neither class nor territorial bounds. In applying the doctrine of individualism unashamedly, America was pursuing a course which all must eventually follow.

But if the business theory of man's motivations was consciously

[55] *Ibid.*, xi. Emphasis his.

[56] Edgerton, quoted in *American Industries*, XXX (October, 1929), 9.

realistic, it was by no means simple. Motives which were regarded as both universal and immutable could nevertheless seek expression along such divergent paths as to end in virtually different worlds. The selfishness which had created a second Eden could become so completely degraded in the lives of the masses as to endanger the very existence of civilization. And in the hands of the elite it could be sublimated to the point where the very selfishness of the able impelled them to think in terms of the good of the whole.

This theory appeared so peculiar to the foreigner that André Siegfried felt called upon to comment that "one has to smile when the stodgy business man piously declares that 'service' to the community is his one and only passion, while he draws up a wonderful balance sheet." [57] But such a conclusion misses the point entirely: if one enjoys "a wonderful balance sheet" he has been lifted above self-interest to such an extent that service to self is synonymous with service to the community.

For Americans acquainted with the tradition represented by Alexander Hamilton, however, the business spokesman's interpretation of man's motives was strikingly familiar. When one reached the top of the business hierarchy, the most basic and permanent characteristic of mankind at large—economic selfishness and corruptibility—was refined beyond recognition. That those at the top felt duty bound to insist on the continuance of a system which satisfied the mass economic impulses they had sublimated merely illustrated anew their own lack of raw selfishness.

[57] André Siegfried, *America Comes of Age* (New York, 1927), 178.

[IV]

Pursuing the Goddess Success

LIKE any political theory, the political ideas propagated in the name of American business are concerned with ideal as well as reality, with life as it ought to be as well as with life as it is. As one might expect, the business conception of the *summum bonum* and the means toward its realization involves no abrupt break with its theory of man's natural capacity and of the external and internal forces which help to mold him.

For Plato the *summum bonum* may have been found in a mystical awareness of the transcendental reality, for St. Thomas it may have been in the realization of God's will, and for Marx it may have been in the achievement of a Third Realm on earth. But any such characterization of the highest good would constitute a discrete element in the structure of business thought as it has been built thus far. The *summum bonum* envisaged by business leadership represents a much more earth-bound type.

Aristotle, cited by at least one business spokesman as a free-wheeling exponent of private enterprise, felt that the highest good could be experienced only by an individual with a well-ordered soul. For him, one who achieved the desired virtue would possess a moderate amount of the external objects necessary for comfort, a healthy body, and, most important, the goods of the soul.

Rather than relying on the Aristotelian view of such an important subject as this, however, business leaders preferred to go their own way. The three levels of goods Aristotle thought necessary to the good life are all subsumed in the theory of the National Association of Manufacturers and the Chamber of Commerce under what was to Aristotle the most subsidiary of man's needs, the goods of an external, mundane sort. They become so important in the business theory as to constitute almost an exclusive point of focus for man's energies and aspirations. And the moderate quantity of these goods

which Aristotle would have one seek is multiplied manifold in keeping with their increased qualitative importance.

William Feather enthusiastically spoke for the business community in picturing the virtues of an economic sort of *summum bonum*. Man would find, and in the United States had largely found, the good life through the accumulation of economic goods which, writ large, spelled The Good that all sought. Man's nature could realize its loftiest aspirations only in a materialistic heaven on earth.

This business ideal was one which early philosophers could not have shared because it was uniquely American. "I think there is a specific central idea in every 100 per cent American, and that it is the cause of our amazing prosperity, and the reason for our inability to accept European forms and customs," Feather began. "Because the 100 per cent American is different from any other animal on the face of the earth he has no real interest in foreign art, and because his own artists have failed to understand Americanism, enthusiasm for native art in this country has never been more than lukewarm." [1]

What was the origin of this American vision of the *summum bonum* which it is impossible for such as artists and foreigners to appreciate? "Birth was given to the American idea the year the steam engine was invented. The Declaration of Independence postulated freedom and equality of opportunity. The steam engine furnished man with a new source of energy—uncarnate instead of carnate." [2]

Spawned by a British inventor, the uniquely American idea needed only a proper political climate to offer every 100 per cent American a chance to realize the good life. This good life is unquestionably economic in content. "With the steam engine it was possible to found a civilization on prosperity. The 100 per cent American is saturated with the idea of prosperity and equality." [3]

Surrounded by material blessings, the American is not attracted to the spurious goals of foreigners, whether socialistic or Christian in content. As Feather observes, "With a full belly and a warm hut man no longer needs to be drugged by socialism and personal salvation; and the art and literature produced under the patronage of kings and potentates." Having experienced the exaltation of the

[1] Feather, "A Fourth of July Speech—New Style," *loc. cit.*, 13.
[2] *Ibid.* [3] *Ibid.*

good life, "he demands something new, something that expresses his release from economic oppression, hunger, cold, and weariness." [4]

That there are other worthy values in addition to the material, business spokesmen would not deny. But the false note in other theories is struck by the fact that they try to elevate these lesser ends above the material. In truth, however, it is impossible to conceive of any values except in terms of the highest good, which is material.

Just as the worth of a man was found to be measurable only in material units, so is the quality of an abstract value measurable only in the same terms. Charles N. Fay emphatically underlines this point. "Certainly, if humanity is to progress, its gain must be intellectual and spiritual as well as material," he concedes. "Yet how do we measure intellectual progress," he asks, "if not by schools and universities? How do we measure spiritual progress; if not by churches and charities, setting up standards of character, ethics and morals?" [5]

However qualitative the concept, then, it is susceptible to evaluation only in a quantitative fashion. There are those who think differently, of course, but they represent outmoded and foreign points of view. That America had escaped such a distorted outlook was beyond dispute. "No place is reserved in the United States for European eighteenth century ideas. We don't understand them. We have no beggars, no meek and lowly, no cow-like women, no starved children." [6]

On the contrary, the acclimated resident of the New World had glimpsed the highest good. And he hoped to realize it in a more substantial fashion than could be expected from that fleeting experience of the ultimate good which Plato held out as the goal. Already Feather could observe with satisfaction, "We are rich, fat, arrogant, superior." The only remaining need was for the world of literature to recognize the peculiar quality of the American ideal. "Why doesn't someone interpret us as we really are . . . ," ran the refrain of business' lament.[7]

The request for an interpretation of the good life as it had begun to unfold in America alone was met from several quarters. Perhaps

[4] *Ibid.*
[5] Fay, *Business in Politics*, 112.
[6] Feather, "A Fourth of July Speech—New Style," *loc. cit.*, 13–14.
[7] *Ibid.*, 14.

the most widely read interpretation of the American *summum bonum* was offered by Sinclair Lewis under the familiar title *Babbitt.* While this analysis met the request of American business, it did not meet its needs. Lewis could not be said to have failed in the objective of depicting the 100 per cent American as "rich, fat, arrogant, superior," but the patronizing contempt of the author was too thinly veiled to be lost on the business community.

Business spokesmen naturally objected to the caricature quality of the portrait, but they quickly identified it as their own, however distorted the features. Despite the cynicism and scorn attached to the likeness, they unhesitatingly embraced the core of true values that it revealed and rushed to their defense.

An editorial in *Nation's Business* entitled "Dare To Be a Babbitt!" laid down the first salvo in what was to be a sustained campaign in defense of Babbittry. "Good Rotarians who live orderly lives, and save money, and go to church, and play golf, and send their children to school quake when some advanced thinker hurls at them the damning word 'Babbitt.' " [8]

This feeling of vulnerability the editorialist considered completely uncalled for. Put in proper perspective, the values of Babbitt came close to realizing the *summum bonum* of the business community. "Was Babbitt so evil a thing? Should we despise him for his pride in his real-estate business, his membership in the Zenith Boosters' Club and the Zenith Chamber of Commerce, his simple joy in the conveniences of his life and his home? His house and his manners may have suffered from over-standardization, but his was a kindly soul with an eagerness to work and play with his fellow-men." [9]

Surely these are virtues rather than proper targets for derision. "Would not the world be better for more Babbitts and fewer of those who cry, 'Babbitt'?" To the staff of *Nation's Business* the answer was as obvious as it must have been to all of their readers. "Every day we read of some business man who has given lavishly to make life better for his fellows," they wrote with assurance. "Just last month NATION'S BUSINESS told of how George Eastman tackled the job of giving. . . . But Mr. Eastman belongs to the Chamber of Commerce. He may even be a Kiwanian or a Civitan. He's a Babbitt! Let's take his money and jeer at him!" [10]

[8] "Dare To Be a Babbitt!" *Nation's Business,* XIII (June, 1925), 40.
[9] *Ibid.* [10] *Ibid.*

As a number of business spokesmen pointed out in describing the motives of the inferior, envy may often find expression in the condemnation of one's betters. Aware of the rancorous jealousy of those less fortunate, business leaders were more tolerant than might have been expected. The perverse criticisms of uncomprehending foreigners and native artists at least served the function of pointing up the *summum bonum* and stimulating business spokesmen to identify it.

The unkind treatment by the French critic André Siegfried [11] of what he conceived to be America's obsession with materialism served this function admirably. Merle Thorpe unhesitatingly turned to counterattack with a series of rhetorical questions as his weapons: "Is it then so discreditable a thing to be prosperous? To make ends meet, to desire greater comforts and conveniences, to labor hard and acquire them? Must a man be belly-hungry before he can be mind and soul hungry? Is it a virtue to be work-less and hopeless?" [12]

Indictments of business values because of their dedication to an economic type of *summum bonum* were thus met with a demurrer. What point was there in denying their materialism when it was an orientation shared by all true Americans? Against the lampooning involved in the portrayal of Babbitt was placed evidence, not to contradict the portrait but to show that the business elite spread the value in question by sharing their goods with others. With the whole people "saturated with the idea of prosperity" the foreigner who observed as much could be met with cheerful assent.

It was not only in their polemic writings that business spokesmen faced the question of identifying and justifying the type of *summum bonum* they envisaged. Charles N. Fay carefully reflected on the different types of goals that might represent man's *summum bonum* and came to the conclusion that the highest good must be economic. This proposition was verified whether one argued the case on a priori or pragmatic grounds.

If the *summum bonum* represents the highest good toward which man can aspire, it must arise from a projection of the best in man's nature. Since man's most deep-rooted and laudable characteristic is his innate selfishness and since that selfishness seeks economic expression, man's *summum bonum* can be conceived only in an

[11] Siegfried, *America Comes of Age*.
[12] Thorpe, "Let's Clear Up the Fog!" *loc. cit.*, 9.

economic form. Thus Fay firmly grounds his argument in the nature of human motivations: ". . . history shows that the prime motive of capitalism—namely, *selfishness*,—merely reflects the conviction, *inborn in every living creature*, that *it is his natural right to keep, own and control whatever he himself has made, saved, thought out, bought or fought for*; a conviction which works out broadly not only for *justice* to the individual, but to the common good of all." [13]

Here Fay was arguing from original principles with the assurance of a latter-day John Locke. And insofar as he departs from the Lockean tradition, it is to undertake the difficult task of elevating property to the status of an even more all-encompassing end than Locke could contemplate. "*Original production* had to determine *original ownership*, before laws recognizing right of ownership—that is, codes of justice or morals—could be framed to maintain that right. In short, wealth must come, and always did come, *first in point of time!* Law, morals, education, and even religion, at least as we practice them, *have always evolved upward as consequents*, not precedents of property." [14] If wealth antedates not merely government but morals, education, and religion as well, it may be deemed to represent man's highest and most permanent end.

Turning from a priori reasoning to a more pragmatic approach, one arrives at the same conclusion. Merle Thorpe's question—"Is it a virtue to be work-less and hopeless?"—is easily answered by a brief look at history. "Indeed, if one asks the rather ungracious question, *what have unselfish poverty and asceticism actually done for the greatest good of the greatest number*, or how far have they practically contributed to the evolution upward of the human race—which certainly began long before history and the dawn of civilization, and which still goes on,—one must reluctantly own that their usefulness, *as actual factors* in the progress of humanity, cannot be established nearly as well as that of capitalism." [15]

Where has mankind come closest to realizing the highest good? Quite evidently it is where he has come closest to achieving the maximum saturation with materialism. "Compare, if you will, Darkest Africa today, where there are no capitalists, no railways, banks or factories—or Soviet Russia, where a robber state has murdered them,—or India and China, where they are slowly evolving—

[13] Fay, *Business in Politics*, 111. Emphasis his.
[14] *Ibid.* Emphasis his.
[15] *Ibid.*, 112. Emphasis his.

or South America and South Eastern Europe, where they are coming along faster—with Germany, France or England; especially with our own fortunate America." [16]

One finds from such a survey that not only the highest good but subsidiary values are directly dependent on material satisfaction. "Have not peace and plenty, respect for life, liberty and law, the virtues of toleration and of stable self-government—have not all these blessings, in all history, gone hand-in-hand with industry, thrift and wealth, both general and individual?" [17]

If every type of human desideratum is found, historically, only as a concomitant of materialism, one must conclude that all values stem directly from the material. "Is it, therefore, going too far to assert," Fay asks, "that *these happy conditions exist in our beloved country because of our wealth?*" [18] It is only logical to concede that, insofar as man achieves his greatest goal, the lesser ends in his hierarchy of values will come to him automatically.

To the extent that he realizes the highest good, man should become a more estimable creature. And twentieth century America had come closest to attaining the *summum bonum* of business. Glen Buck, the business publicist, explained that the United States was in the process of becoming "the richest nation in history." For those with discernment this could only mean that man himself was being elevated. As Buck put it, ". . . in that process a keener, cleaner manhood has been developed, else the remarkable pace would not have been possible." [19]

As important as the type of end which man envisions is the means through which that goal may be approached. The *summum bonum* could be sought for Plato only through contemplation, for St. Thomas through salvation, and for Marx through the act of revolution. In each case the means is closely related to the end. And since the highest good is never easy to realize, the means itself becomes the immediate end. Indeed, for the less fortunate it must remain the ultimate goal.

Although the *summum bonum* of American business is found in materialism, one does not achieve the good life by abandoning himself immediately or completely to its charms. The path to the *summum bonum* is by no means so easy. Perhaps because the United

[16] *Ibid.*, 113. [17] *Ibid.* [18] *Ibid.* Emphasis his.
[19] Buck, "This American Ascendancy," *loc. cit.*, 16.

States was so close to making the good life available to all during the 1920's, the less perceptive were in danger of forgetting this truth and losing themselves in premature enjoyment of a bastard *summum bonum.*

President Edgerton warned, "It is time for America to awake from its dream that an eternal holiday is the natural fruit of material prosperity, and to reaffirm its devotion to those principles and laws of life to the conformity with which we owe all of our national greatness." [20]

What is the key to our national greatness? It unquestionably lies in the American tradition of hard and unstinting work. Edgerton accordingly follows his admonition with the observation, "I am for everything that will make work happier, but against everything that will further subordinate its importance in the program of life." [21]

The road to the *summum bonum* may not be easy, then, but at least it is clear to all who have not been dazzled by that portion already traversed. If it constitutes the only means through which the *summum bonum* can be realized, work must be considered the most praiseworthy activity of man just as material greatness is his loftiest end. A. C. Bedford, a leader in the oil industry, revealed to Standard Oil employees that work was of more fundamental importance than love, learning, religion, or patriotism: ". . . even admitting the beauty, the charm, the inspiration and the greatness of these four qualities, none of them could be put into effective execution without work." [22]

Just as the value of lesser ends was seen to stem from materialism, the quality of these lesser activities is dependent upon work. "All four of these things—love, learning, religion and patriotism—if you stop to think for a moment, absorb the benefits of the things which business produces." With this truth revealed, one can only conclude that work deserves to be ranked as man's most laudable activity. As Bedford puts it, "I have come to the conclusion that industry is the fundamental basis of civilization. The high office of civilization is to train men to productive effort." [23]

[20] John E. Edgerton, quoted in "The Five-Day-Work Week; Can It Become Universal?" *loc. cit.*, 7.

[21] *Ibid.*

[22] A. C. Bedford, "What Is a Captain of Industry?" *Nation's Business*, XIII (November, 1925), 26.

[23] *Ibid.*

As the exclusive means to man's highest end, work becomes sanctified itself. "There is a great truth in that old law: 'Six days shalt thou labor,'" one company president observes. "Let us do it and be thankful for the privilege." [24] Sanctified by its direct relation to the *summum bonum*, work may be considered man's most worthwhile immediate goal. The National Association of Manufacturers' committee on industrial betterment, health and safety reflected such an appreciation of the merits of honest toil by reporting in 1920: "What this country now needs is one of our war drives—a national campaign for industriousness, thrift and common sense. A work slacker is no better than a soldier slacker." [25] If work offers the only route to man's highest good, it should certainly be ranked as high as a willingness to fight for one's nation.

Work, like many terms in popular usage, could be referred to without careful definition. Even when one of the most respected of business leaders, Judge E. H. Gary, endeavored to define the term for the benefit of a Senate committee, he fell somewhat short of precision. "It is hard work to work hard whatever one does," Judge Gary began, "and to the extent one does work hard he, of course, is doing hard work. That is perfectly evident." [26] Whatever this definition may have lacked in precision was more than compensated for by respect for the taxing quality of work.

However elusive its central quality may have been, the importance of hard work was thus undeniable. Those who would probably never realize the highest good could at least share the satisfaction of making the means to that goal their end. Even if one's efforts were of the crudest sort, he could be applauded for dedicating himself to honest toil.

In 1920 the members of the National Association of Manufacturers readily responded to this interpretation. The nation's immigration policy, Louis Marshall submitted, should recognize that an applicant would make a far better American through willingness to labor than through the pursuit of literary effort or ideological niceties. "The fact that a man or woman cannot read or write—the

[24] Dewey, quoted in "The Five Day-Work Week; Can It Become Universal?" *loc. cit.*, 10.

[25] "Report of the Committee on Industrial Betterment, Health and Safety," *Proceedings*, N. A. M. (1920), 71.

[26] *Hearings before the Committee on Education and Labor*, United States Senate, 66 Cong., 1 Sess., Pursuant to Res. 202, p. 160.

so-called literacy test—to my mind is simple nonsense. (Applause.) The worst immigrants that have come to the United States have been men who are able to read and write in half a dozen different languages. (Applause.) The entire complement of the Soviet ark which sailed from New York a few months ago, consisted of literary people. (Laughter and applause.)" [27]

In contrast to the subversive character of the literary type are the sturdy virtues of the man able to accept, if not to read, business road signs to the *summum bonum*. "The men who work in our shops, upon our railroads, in our factories, at our furnaces, in our mines, are useful men, not because they can read forty words in Bulgarian or Greek or Syrian, but because of their brawn and the disposition to be useful members of society. (Applause.) And yet Congress has deliberately placed upon our statute books a regulation which would keep out of the United States from thirty to thirty-five per cent of those who have heretofore come here and have performed useful service for their employers, for themselves and for their country. . . ." [28]

If even the crudest sort of work constitutes an edifying experience, the same type of activity at a higher level may issue in the highest good. The work of the elite is doubly ennobling because it exposes not only the elite itself but the masses as well to the benefits of labor. Charles N. Fay explains that "*actually the most beneficent of all*" activities "*is for the strong man to create and save wealth,—and so to use it as to give many weaker men the certainty of self support in honorable toil:* offering *not charity, but wages for work well done. . . .*" [29]

He who works assiduously enough to acquire wealth, then, has achieved greatness. Citing the pioneer figures in the oil industry as examples of men who had achieved such true greatness, A. C. Bedford concluded, "If one becomes a producer, one should also become a money-maker, and provided he gets wealth honestly, I think such a man has every right to be considered great." [30]

Spokesmen for the business community conceive of the *summum bonum* in an economic form and as approachable only through the avenue of hard work. An important remaining aspect of the problem

[27] Louis Marshall, "An Immigration Policy," *Proceedings*, N. A. M. (1920), 171.
[28] *Ibid.*, 171–72. [29] Fay, *Business in Politics*, 114. Emphasis his.
[30] Bedford, "What Is a Captain of Industry?" *loc. cit.*, 26.

is whether the *summum bonum* is considered possible of realization or should be regarded as a permanent goal the full substance of which can never be grasped. When men such as the leaders in the oil industry are said to have achieved true greatness, does this mean that they have tasted the highest good in its full flavor or simply that they have more nearly realized it than any of their fellows?

For the masses this problem assumes a peculiar form. Since they are inferior by definition, the *summum bonum* must be beyond their reach by the same token. But it will be remembered that the highest good of the unfit is often found in that which is only the means to the infinitely loftier goal of the fit. If they are willing to accept work as the highest good available, although it is only the avenue to the highest good in an absolute sense, it would appear that they could reasonably expect to achieve their highest end. It develops, however, that the realization of the *summum bonum* even in this relative sense is never complete.

While Dr. Gus W. Dyer is at his best in extolling the value of work as a goal for the masses, he lays equal stress on the fact that one's work should arise from freedom of access to different kinds of employment. "The most sacred right and privilege that American democracy guarantees to the American citizen is the right to work anywhere under the American flag without fear and without molestation, and the right to sell the products of his labor, or sell his labor, or buy the products of the labor of others on an open market, absolutely unrestricted at the best possible prices." So important does Dr. Dyer consider the mobility in employment implied in this statement that he avers, "It is the guarantee of this right and privilege that chiefly distinguishes a civilized country from a barbarous country." [31]

Thus it is not merely work but the freedom to choose their work that is most important for the masses. This emphasis results from the fact that, while the *summum bonum* of the unfit lies in work, it is found not in labor alone but in the process of rising to higher levels of work. Even at the lowest level there can be no complete achievement of the *summum bonum;* it comes not from the achievement of any given status but from unending progress in status.

The masses should be dedicated to work, but even they can legitimately aspire to rise above certain forms of labor. William Feather

[31] Dyer, "The Open Shop and Democracy," *loc. cit.*, 331.

attests to this fact by asserting that "the 100 per cent American realizes that he can unload all drudgery on machinery, and thereby achieve universal prosperity exceeding the dream of the most moony Bolshevist." [32] This is not to contradict the idea of the importance of arduous labor; it is simply to suggest that the American will seek his highest good by progressing to more elevated forms of equally hard work.

The Honorable Walter E. Edge, speaking on the basis of his wide business experience rather than as a politician, pointed up this distinction for the benefit of the National Association of Manufacturers in 1920. Senator Edge made it clear to his listeners that the average American had raised himself above the lowest forms of physical effort. "America needs common-labor men for its fields and its factories, for its mines and its hundreds of other circles of common labor. Through facing death in the great war the American youth and man sees the true standard of his own value, higher than in other years he had realized." What does this new recognition of his own value mean in practice? "Instead of plying a pick and shovel on a railroad right of way, he now knows he is fitted for better things, and, indeed, that he can be of more value to the world as captain or boss of the right-of-way men than he could at the business end of a spade." [33]

Although recognizing the dignity of labor, Senator Edge was fully convinced that in raising himself above common labor the average individual was moving toward the good. "In short," he submitted, "the American man and youth has found himself. He has 'raised himself on stepping stones of his dead self to higher things.' And I cannot imagine his retrogressing and degenerating to his former and lower estate. Not that for a moment I would deprecate the value and even the dignity of manual labor; but, there are grades and strata of labor above whose level the American working-man stands. The American working-man is not to be condemned

[32] Feather, "A Fourth of July Speech—New Style," *loc. cit.*, 13.

[33] Mr. Edge was a former Governor of New Jersey and at this time U.S. Senator from that state; but he had also had extensive business experience so that he could preface his speech to the National Association of Manufacturers by remarking, "My own life . . . has been spent in business life, and while I did fall, more or less, and accept political responsibility, I have never disengaged myself from practical business life and business contact, excepting when I went to the Senate, and I hope I never will." Walter Edge, "Will Immigration Injure Our Industry or Our Labor?" *Proceedings, N. A. M.* (1920), 178, 181–82.

for developing 'a swelled head'; he is to be felicitated on stepping up to a higher personal standard."

Progress to higher levels of work may fall far short of the grandiose material achievements envisaged in the *summum bonum* of the business community, but it at least gives to the masses the feeling that they are on the same path as the elite, and it represents in itself a worthy ideal for ordinary men. Even foreigners brought to the United States for the specific purpose of performing the necessary common labor will catch the gleam of this lesser good available to all Americans.

With native Americans already on the path of progress, "men and women must be found to perform the more elemental work of all kinds on which Americans formerly were engaged. . . . The average foreigner, such as comes to our shores, is used to hard work, and all he needs is the guidance which will be furnished by Americans who have had the experience and served their apprenticeship in the elemental phases of work. As he works, of course, he will conceive ambition for advancement, and the struggle for attainment of worthy ambitions is one of the greatest factors in the ultimate production of worthy American citizens." [84]

With all their limitations, the masses, both foreign and native-born, are dissatisfied with a static condition. Incapable of achieving the *summum bonum* in its true sense, they find what is for them the highest good in a continuous process of progress to higher grades of work. Work they never escape. On the contrary, it is an essential part of their highest goal. But they seek, in addition to the assurance of work, the chance to enjoy the satisfactions of progress.

When business spokesmen turn from the masses to the elite, they turn from a relative to an absolute conception of the *summum bonum*. These are the few who are perceptive enough to see beyond mere means to the true *summum bonum* of complete saturation with material achievements. If their goal is infinitely loftier, however, so were their capabilities found to be infinitely superior. Is there any greater possibility at this level that the highest good may be grasped and savored in a final and absolute sense?

At least in respect to this one problem the many and the few are held by the business theory to have something in common. However

[84] *Ibid.*, 182.

successful, the few are always able to find new goals. By virtue of their superior breadth of vision, it is even more out of the question for them than for the many to achieve complete satisfaction. Berton Braley, versifier for *Nation's Business*, underlines the economic content of the *summum bonum* and at the same time catches the spirit of an insatiable quest for bigger and better things:

Bill Babbitt is a hustler,
A regular go-getter,
And when he's caught the thing he sought
He goes for something better!

So when he's wanting money
He does his best to make it.
(He makes no bluff to hate the stuff
While being glad to take it).[35]

In this unending process of achievement man finds as great a satisfaction as is destined for him. No one prize will imbue the able individual with a sense of final achievement; it is in the process of progress from one material goal to another that he realizes the *summum bonum*. It was Babbitt's inability to escape from this great truth that was largely responsible for bringing the business community to his defense. Again Braley's verses sound the theme of the business interpretation:

Of course more cultured people
Look down on the go-getter,
But just the same Bill has no shame;
You see, he knows no better.

Tho this is crass and vulgar,
Bill plays his hand and bets it;
He frankly eyes his wanted prize
And simply goes and gets it.

Is anything he gets worth while
To pay for his expended vim?
Well, William wears a pleasant smile—
I guess it's all worth while to him![36]

The elite naturally takes unashamed pride with Babbitt in material accomplishment, but it finds no complete satisfaction even here. Each success merely whets one's ambition and suggests new goals

[35] Braley, "Babbitt Ballads," *loc. cit.*, 28. [36] *Ibid.*

to be pursued. Charles M. Schwab offers categorical testimony on this point: "No first rate American business man is ever satisfied with what he accomplishes. He is always straining for the unattainable." [37]

The highest good may be approached, then, but never fully grasped. Insofar as one has realized the *summum bonum* in part, he is impelled to continue unabated toward an ever greater, but never complete, realization. William Feather very logically concludes from this that "the 100 per cent American dies in harness." [38]

That man should find his good in material progress is a perfectly natural—indeed, an inevitable—result of his nature. The Deity itself defined man's goals in the process of determining his nature. Charles N. Fay submits in this connection that the "evolution upward of humanity must have been . . . the *intent* of the Creator of all things; in implanting deep in human nature the mighty motive of selfishness, and the constructive assertion of the right of private property." [39]

With its interpretation of the *summum bonum* thus tied to its earlier analysis of human nature, the business theory appears unimpeachable on this point. But the final answer to the question of whether or not man's ambitions can ultimately be sated will come only with complete material conquest. Meanwhile he will continue to seek the good through material progress as he has done since time began:

> And Progress shall her shuttle ply in far-flung filaments
> Until the lost, lone villages of sullen continents
> Shall waken to the motor's hail, shall see their idols reel
> Before the mud-bespattered god who curses at the wheel!
>
> The summits of the Rockies; Sierra's towering height
> That broke the first brave caravans and mocked a nation's might,
> Shall watch Invention's chariot rise up from the abyss,
> Unfaltering at the sheerest reach, the deepest precipice,
> Until about the loftiest peak a silver path lies curled—
> The gyve that binds the hill-god to the service of the world!
>
> "I am the end!" the climbing coach goes singing its creation,
> "In me the spirit of mankind achieves its consummation!"
> Yet as it gloats a shadow floats between it and the sun:—

[37] Schwab, "What I've Learned About Business," *loc. cit.*, 36.
[38] Feather, "A Fourth of July Speech—New Style," *loc. cit.*, 14.
[39] Fay, *Business in Politics*, 111–12. Emphasis his.

A man-bird soars; his motor sings: "Our work is but begun!
When you have scaled the steepest crest, does not Aldebaran
Send down across the void of dusk its challenges to man?
When we have made the stars our floor and spanned the firmament,
Then Progress may lie down to rest, and mankind be content!" [40]

The complete picture of man's *summum bonum* offered in the political ideas of organized business fits logically with its earlier analysis of human nature from the point of view of its capacity, determinants, and motivations. Man had already been revealed as a creature highly unequal in endowments, whose nature could not be positively molded by any external forces except those to which his innate capacities automatically exposed him, and whose motivations were as unalterably selfish in nature as they were economic in content.

What would constitute an appropriate end for such a being? Few beneficiaries of the Amazing Decade could argue with the fact that his highest good must necessarily be economic in content. That it should be susceptible to approach only by way of hard work and that it could probably never be realized in a manner that would sate man's selfish ambitions appears to follow with equal congruity.

The minimum requisites for man's happiness, then, are "a full belly and a warm hut." These are not essential because, as Aristotle thought, they would free the individual from concern with material matters and allow him to concentrate on higher ends. On the contrary, they are important because they mean that man "no longer needs to be drugged" by the opiates of "socialism and personal salvation" or by the palliatives found in the art and literature of nonmaterialistic cultures. With these physical essentials, man has no reason to seek escape from reality and can focus all his energies on greater material achievements. Any nonmaterial values that are worthwhile will come to him automatically in the process.

Given a properly materialistic culture, man will realize that his *summum bonum* lies in the "greater comforts and conveniences" which Merle Thorpe extolled. And, if he is true to his nature, he will "labor hard and acquire them." In the temporary satisfaction of achievement, ever loftier dreams of material success will come to him. If he is among the able few, he will eventually appreciate the

[40] Daniel Henderson, "American Trails," *Nation's Business*, XI (December, 1923), 31.

fact that his goal is the more precious because it is unattainable in any complete sense.

The economic content of this theory lends it a pronounced note of Marxism. Law, morals, education, and religion are all unveiled by the business theory as well as by Marx as "consequents, not precedents of property." And the Marxian view of life as conflict is matched by the business view of life as "the struggle for attainment of worthy ambitions."

But if this is Marxian, it must be called "inverted Marxism." For Marx the condition of struggle under economic compulsions represents the kingdom of darkness from which man must break, by act of revolution against the bourgeoisie, into a classless and propertyless kingdom of light. But in the business theory, it will be remembered, man began in a classless and propertyless regime and broke from it, by act of revolution against God, into a class-stratified and propertied kingdom of light. The effect of economic struggle is accordingly antithetical in the two systems. Rather than degrading man into a hopeless and miserable proletariat, the economic determinism envisaged by business spokesmen produces "a keener, cleaner manhood."

And the improvement of the species through universal saturation with the idea of prosperity had gone further in the United States than anywhere else. Not only could the 100 per cent American of the twentieth century look down on foreign values, but he had progressed so prodigiously that he could well consider himself more advanced than almost any American of earlier generations. Thus, the business theory would hold that Thomas Jefferson, dying heavily in debt, must be judged a failure so far as the pursuit of the *summum bonum* is concerned.

Either because his values were misdirected or as a compensatory substitute for material success, Jefferson asked to have enscribed on his tombstone a record of nonmaterial achievement. One could undoubtedly find some solace in the thought that he was the author of the Declaration of Independence, the sponsor of the Virginia Statute of Religious Toleration, and the founder of the University of Virginia. But the 100 per cent American, insist the spokesmen of business, "desires no monument other than his works as a producer." [41]

[41] Feather, "A Fourth of July Speech—New Style," *loc. cit.*, 14.

Part Two

THE GOOD SOCIETY

Human Nature Writ Large

[V]

Eternal Ideals and Unshakeable Institutions

IT WOULD doubtless be unfair to expect men who pride themselves on their hardheaded realism to undertake a comprehensive analysis of such an apparently amorphous topic as the nature of society at large. Certainly the leaders of the National Association of Manufacturers and the Chamber of Commerce during the 1920's were concerned with the issues of the day rather than with the task of developing a complete political theory. Indeed, as eminently "practical" men, they would have vigorously denied that the adjective "theoretical" was applicable to any of their ideas. As the total pattern of relations among the people of any given community, society accordingly received little attention as an independent problem.

This is not to suggest, of course, that business spokesmen were not imbued with significant assumptions about the nature of society which appear incidentally in the analysis of more specific problems. Nor is the importance of these assumptions decreased by the extent to which they remain unrationalized by virtue of their appearance outside the framework of a systematic consideration of the problem of society as such.

As a result of its incidental character, however, the business theory of society will, for the most part, appear implicitly in the analysis of other basic aspects of the business theory. Thus, it has already become clear in connection with the nature of man that the characteristic pattern of relations in any "natural" or long-lived society will be competitive. Similarly, the nature of man is such that the manipulation of societal forces can never be expected positively to foster his development. Just as these and other elements of a theory of society may be inferred from the nature of man, additional facets

of the theory will be illuminated in the consideration of government.

On the theory of society as an independent problem, then, we may confine ourselves to those aspects which are insufficiently delineated in other connections. This approach appears to call for a consideration of the ideals, the basic institutions, and the unifying agent of society.

It has been suggested that the "idea of toleration implies uncertainty concerning the absolute standards" which the old theocratic and modern totalitarian regimes have enjoyed.[1] Since the United States has constitutionally sanctioned and frequently practiced this "idea of toleration," many of her theorists have felt obliged to surround such words as "good" and "right" with apologetic quotation marks.[2] The business spokesman, however, suffers from no such lack of assurance in the realm of ideals: he has discovered "truth" and "right." Operating with this advantage, it was possible for business spokesmen to judge the events of the 1920's against an absolute standard of values and, as a result, to suggest with no reservations the ideals of society.

The Presidential election of 1924 elicited an application of these standards by D. M. Edwards, the editor of *American Industries*. "They [the citizens] have repudiated the flaunted determination of the radicals, the socialists, the communists and other discontents," he exulted, "to take the helm of government into their own hands—a threat as repulsive to the ideals of a free country as it was foreign to established American procedure." [3] The source of this threat to American ideals was clear. "Whatever may have been the strict party differences between President Coolidge, republican, and John W. Davis, democrat, it could be very well said that, on the broad question of protecting the nation's welfare and its institutions, they were firmly of the same mind. Robert M. LaFollette, third party candidate, represented quite a different trend which sought to disrupt the fundamental organization and administration of many of the national institutions."

Edwards' conclusion followed with a certainty that knew no

[1] Carl J. Friedrich, *Constitutional Government and Democracy* (New York, 1946), 255.

[2] See, e.g., Adolph A. Berle, *Natural Selection of Political Forces* (Lawrence, Kans., 1950), *passim*.

[3] D. M. Edwards, "Get Out Vote Campaign a Success," *American Industries*, XXV (November, 1924), 5.

qualifications. "In fine," he held, "it was a battle between right, which believes in our national ideals, and wrong, which believes in disruption and discontent. Right won an overwhelming victory." [4] In this evaluation of the 1924 election one not only finds that "right" has been revealed to the business community but learns of what it consists. "Right" involves a dedication to American institutions while, as the opposite side of the coin, "wrong" involves discontent. As a belief in established institutions "right" expresses itself in acceptance and support of the *status quo*, whereas "wrong" issues in criticism and the threat of change. Here we have reached the firm ground of a first basic ideal for society: Stability in the political sphere as a means of preserving "right."

The establishment of stability as an ideal followed, it may be noted, from an explicit endorsement on the part of business leadership of those "national ideals" of America which have been institutionalized. These ideals exist not merely as a historical fact but as *the* ideals, a standard to which any society should conform. To business leaders, then, societal ideals are not goals that all mankind is groping to envision and, if possible, to attain; they have been found and are concretely embodied for all men to see in the American experience.

Where, then, does one go for an ideal or a standard of "right"? To the fundamental forces in the American past. President Edgerton made this clear by observing that "the National Association of Manufacturers, so far as I can interpret and influence its position, stands now and will continue to stand openly and courageously for the eternal principles of right, reason, and justice enshrined in the constitution of our republic, in the Golden Rule, and as construed and applied by those whose names and deeds have made this country the greatest among the nations of the earth." [5] The "American Way," as expressed in the Constitution and the Golden Rule and as interpreted by our great leaders, constitutes "The Way" for all.

To "do unto others as you would have them do unto you" does not mean that Americans must refrain from insisting that others are wrong if they do not conform to our cultural pattern, although the Samoans would presumably be violating it by insisting that we

[4] *Ibid.*

[5] Edgerton, "President Edgerton's Annual Address," *Proceedings, N. A. M.* (1923), 112–13.

should conform to theirs. The explanation lies in the fact that the American community has discovered and enshrined "right, reason, and justice." Had some other society been so blessed, it would undoubtedly have been their duty to demonstrate their superior values to the benefit of an appreciative America.

The business theory has established that, since "right" is embodied in American institutions, the stability of those institutions is a primary societal ideal. To discover just what ideals will thus be preserved it naturally recommends that one consult the American past. But in following this procedure the uninitiated might emerge with Thomas Jefferson's endorsement of occasional revolutions as a healthy societal catharsis, and cast some reflection on the validity of the initial ideal of stability underlying the business argument on this question. When one speaks of the American tradition as involving one consistent and currently applicable set of ideals, then, it is necessary to spell out at least the most important of the ideals which form this homogeneous pattern.

What specifically do business spokesmen themselves have in mind when they refer to our "national ideals"? It must be conceded that representatives of the business community are rather sketchy on this point, generally being satisfied to observe that the ideals of our society represent "right" or (with the interchangeability of an algebraic equation) that "right" represents the ideals of our society. But occasional commitments as to the content of these ideals serve to delineate at least their chief components.

In view of the individualistic character of the business theory, it is not surprising that the most basic ideal which it discovers in the American past is that of individual freedom. That a primary ideal of society as a unit should be expressed in terms of the needs of independent individuals is perfectly congruous in a theory which has already found man's *summum bonum* to be centered in self rather than in society. Thus Professor Dyer was led to applaud the foresight of "the founders of this government" in attaching maximum importance to personal freedom: "The central and fundamental principle in the American theory of industrial life is the freedom of the individual. This is the chief corner-stone of the whole structure —everything else is subordinate and subservient." [6] Every policy or program designed for society's benefit must therefore be judged,

[6] Dyer, "The Open Shop and Democracy," *loc. cit.*, 326.

first of all, not by its effects upon the community but by its compatibility with individual freedom. This ideal will accordingly manifest its overriding importance in much of the business thought on the roles of government and of private associations.

In putting the individual first, however, the American ideal has by no means neglected society. Precisely because it is expressed in terms of personal freedom, this principle constitutes the best of ideals for society as a whole. Emery admirably summarized the idea of generations of liberals before him in pointing up this fact. "We believe, first of all, that not only is the individual entitled to the widest freedom compatible with the social security and equal liberty of others, but such freedom in practical exercise works best to secure social welfare." [7]

Society is, after all, not a separate entity in itself. The business theory here would apparently hold with social scientists that "society" is only "an abstraction, a general term applied to the pattern of activity manifested by a group of persons." [8] Emery would utilize this accepted definition to substantiate the view that the ideal of individual freedom is as necessary for society as it is desirable for the individual. Social scientists might give greater emphasis to the extent to which society molds the individual, but the emphasis of business spokesmen has been found to lie in the opposite direction. "The quality of the individual makes the quality of the republic." [9] In serving the individual, then, the ideal of personal freedom automatically serves the community.

It must be observed, however, that the freedom of the individual is not quite so complete as it might at first glance appear. Our forefathers established "right," which we are free to enjoy. Since these ideals of "right" are an absolute and finished product, it would obviously be unwise to argue for freedom to reject them. Where "right" is known, the highest service that can be rendered to the individual is to give him the freedom to enjoy this "right" and to safeguard him from "wrong."

As early as the seventeenth century John Winthrop firmly planted this interpretation in the American tradition with the dictum that civil liberty is "a liberty to that only which is good, just, and honest"

[7] Emery, "Our Industrial Platform," *loc. cit.*, 272.
[8] E. Terry Prothro and P. T. Teska, *Psychology: A Biosocial Study of Behavior* (New York, 1950), 105.
[9] Emery, "Our Industrial Platform," *loc. cit.*, 272.

and "if you will be satisfied to enjoy such civil and lawful liberties, such as Christ allows you, then will you quietly and cheerfully submit unto that authority which is set over you, in all the administrations of it, for your good." [10] President Edgerton gave this concept more nearly modern form by lamenting in 1922 that "in the names of Democracy and Progress, all sorts of legislative crimes are being attempted, the idea prevailing among many of the people that democracy means unrestrained and unrestricted liberty of thought and action. . . ." [11] The individual freedom that constitutes a basic societal ideal is thus very significantly qualified. The exercise of that freedom in the fields either of thought or of action can be applauded only so long as it tends to reinforce "right." We shall shortly discover, in considering the unifying agent of society, that this qualification may assume even greater importance than the ideal it modifies when specific application is demanded.

President Barnes found a second ideal pervading the American experience in an amalgam of our industrial, social, and political ideals. The three contributory ideals he described as follows:

> An industrial ideal that the gifts of nature should be converted to human use as rapidly as possible, not by the drudgery of bent backs, but by the mastery of mind over the forces of nature and the service of invention, thus enlarging the product of every pair of worker's hands.
>
> A social ideal that would close no gate because of accident of birth or station, but would maintain the open road for character, ability, and energy to attain recognized leadership.
>
> A political ideal that national progress and accomplishment are the aggregate of individual effort. . . .[12]

Not forgetting the underlying theme of stability derived from the conviction that American culture alone had found the ideal pattern for all societies, President Barnes noted that each of these "ideals or philosophies [is] typically American." The implementation as well as the inspiration of these ideals, taken together, constitute an awe-inspiring example. "Each of these philosophies supports and depends on the other two, and together these three

[10] James Kendall Hosmer (ed.), *Winthrop's Journal: "History of New England,"* 1630–1649 (New York, 1908), II, 239.

[11] Edgerton, "Annual Address of President Edgerton," *Proceedings, N. A. M.* (1922), 117.

[12] Barnes, *The Genius of American Business*, 4.

philosophies have created the most splendid material progress which in its analysis of human service and human aspiration will also bear the most intense study." [13]

The combination of these interrelated philosophies produces an ideal that is peculiarly American but, for that very reason, applicable to all other societies. In describing their essence President Barnes submits that "if one should attempt to define the American social and political philosophy in a single phrase it might be described as the PHILOSOPHY OF FAIR PLAY." [14] This second golden thread in the fabric of American society serves to supplement the first, that of individual freedom. "In America the various sports of our youth teach the principles of team play and of fair play," explained President Barnes, who apparently had never argued, tongue-in-cheek, with an umpire. "On every baseball diamond and football field the qualities of fortitude and courage and fair play, inspired by loyalty to club or town or college, are instilled in our young men." From such experiences as these, fair play as an ideal for the more inclusive organization of society quite naturally develops with adulthood.

A member of society conforms to the ideal of fair play insofar as he becomes a self-reliant fighter of the good fight. Professor Dyer supports President Barnes on this point by translating the message of the Founding Fathers into a stirring exhortation that bears no small resemblance to an athletic director's pep-talk: ". . . when the founders of this government laid the foundations of this great system of industrial freedom they believed that every man with one single drop of Anglo-Saxon blood in his veins was able to take care of himself, that he did not need to have somebody stand for him and they sent him out with this commission: 'Go forth! Everything in this country that belongs to anybody is for you. Find your place, make your own fight, accept your own responsibility. To whine, to complain is to acknowledge defeat and confess yourself less than an American citizen.' " [15]

The ideal of fair play perforce assumes that all members of society are playing the same game and with reference to the same set of rules. Where that is the case, to whine or complain reflects discredit, not upon the game or its rules but upon the dissatisfied player. Since

[13] *Ibid.* [14] *Ibid.*, 6–7. Emphasis his.

[15] Gus W. Dyer, "Government and Business," *Proceedings, N. A. M.* (1922), 138–39.

the rules or ideals of America have been perfected, the good citizen will "make [his] own fight" within the system; to turn the fight into an effort to modify the system is to violate the ideal of fair play, to acknowledge personal weakness and defeat, and to brand one as "less than an American citizen."

A third ideal of society derived from the American tradition, that of continuous group progress, stands in apparent contradiction to the recurrent theme of stability. On the other hand, if the theory of society is to fit with the nature of man, such an ideal appears to be demanded as a societal counterpart to the locus of the individual's *summum bonum* in unending personal progress. When it is remembered that this progress was of a distinctly material character, however, the difficulty of translating it into societal terms begins to disappear. So long as progress or change is of a purely mechanical sort, it can be extolled in perfect compatibility with the ideal of social stability.

That incessant progress is as essential for society at large as it is for the individuals within society is made clear by Charles F. Kettering, General Motors executive. The only alternative to constant change is degeneration. "There are no places where anyone can sit and rest in an industrial situation," Kettering warned. "It is a question of change, change, change, all the time—and it is always going to be that way. It must always be that way for the world only goes along one road, the road to progress. Nations and industries that have become satisfied with themselves and their way of doing things, don't last. While they are sitting back and admiring themselves other nations and other concerns have forgotten the looking-glass and have been moving ahead." [16]

Has the national community of the United States realized the ideal of continuous progress? Not only has it enjoyed all the benefits of perpetual change but it enjoys progress at a continuously accelerating rate. In describing the Amazing Decade, Merle Thorpe reflected on this specific question, asking "if the past decade amazes what is there to say of the coming ten years?" The nature of American ideals made the answer obvious. "It needs no prophet to forecast the wonders of life and living in 1938. The period just ended has leaped forward by arithmetical progression: 2, 4, 6, 8, 10. The high gear of our

[16] Charles F. Kettering, "Keep the Consumer Dissatisfied," *Nation's Business*, XVII (January, 1929), 31.

industrial machine will bring changes in the next decade by geometrical progression: 2, 4, 8, 16, 32. It is glorious to contemplate." [17]

The business theory thus avoids the oddity of establishing progress as the highest good for the individual but demanding it take place within a completely immutable social order. The business glorification of progress met the second need—conformity to the ideal of stability—by carefully confining its enthusiasm to change of a material sort. Technological progress within the established social system is an essential ideal, but any idea of progress as affecting the system itself remains anathema to business leaders.

President Edgerton demonstrated the necessity of reservations by submitting that "we must cease to consider progress as the mere process of getting from one point to another without reference to the direction in which we move or the consequences of the movement." The ideal of social progress is much too highly qualified for any such blanket endorsement of change for its own sake. "Men must be made to know that all change is not progress. Unfortunately, it has come to pass that the person is regarded as the most progressive who travels fastest and furthest in his thoughts and principles from the Constitution of the United States and those traditions and institutions which are dearest to the native American heart." [18]

The business interpretation of the ideals of society ends as it began, then, with emphasis on the importance of stability as the most fundamental social ideal. This is particularly true for the American community because its cultural heritage represents the achievement of unalterable "right." The most important ideals rooted in that culture—and this includes progress no less than individual freedom and the philosophy of fair play—are properly realized in practice only when they serve to affirm and sanctify all of those fixed "traditions and institutions which are dearest to the native American heart."

In considering institutions as instruments for the realization of the ends of society, political theories have commonly focused upon government. The concentration upon government, the agency of the state, has been so pronounced in many modern theories as to produce a virtual identification of society and state. This confusion

[17] Thorpe, "This Amazing Decade," *loc. cit.*, 9.

[18] Edgerton, "President Edgerton's Annual Address," *Proceedings, N. A. M.* (1923), 115.

has impressed Professor R. M. MacIver to such an extent that he defines the democratic theory largely in terms of its recognition and sanction of the distinction between society and state.[19] The state must be recognized as nothing more than the political aspect of that total pattern of human relations which constitutes society. Only then, he maintains, can one properly appreciate the restricted role of government resulting from the fact that it acts only for the state, never for society in its total aspect. Otherwise, government becomes truly totalitarian.

Does the business theory succumb to the appeal of government as an institution capable of acting for society as a whole? No theory could be safer from the lure of this particular route to totalitarianism. Charles N. Fay offers negative evidence to this effect with the categoric assertion that those who equate society with "bureaucracy" are hopelessly deluded.[20] More positive rejection of government as the only significant societal institution may easily be found. Not only is government rejected as of exclusive importance, but a superior substitute is found which offers such sterling qualities itself as easily relegate government to secondary status.

In January of 1920 the Irving National Bank and Irving Trust Company of New York celebrated both the opening of a new decade and the pre-eminence of business as the chief instrument of society. In a *Nation's Business* advertisement the Irving firm announced:

> Out of a year of difficult readjustments to the tasks of peace has come the conviction that national aims must more surely serve all interests alike—that the measure of a country's greatness lies in its contribution to the welfare of its own people and the well being of the world—and that the important instrument of this contribution is, not governments, but business. This is the Irving's faith. In this spirit, its Officers and Directors greet you and wish you a Happy Christmas and a New Year rich in achievement.[21]

If business constitutes "the important instrument" of society, what role is left for government? And, in light of their relative importance to society, what is the proper relationship between busi-

[19] R. M. MacIver, *The Web of Government* (New York, 1947), 192–208.

[20] Fay, *Business in Politics*, 159.

[21] "Retrospect and Prospect," advertisement in *Nation's Business*, VIII (1920), 1. This advertisement offers an exception to the generally acceptable idea that "way-of-life" advertising was a product of business reaction to the New Deal. For a discussion of the large-scale development of such advertising, see Walker and Sklar, *Business Finds Its Voice*.

ness and government? The business organization's answer to these questions may perhaps be best understood as a secular reformulation of the medieval doctrine of the two swords. In Pope Gelasius' famous dictum late in the fifth century, things spiritual were held to be the domain of the priesthood, things temporal that of the royalty.[22] However clear the distinction between these two spheres, there was no reason for conflict because God had ordained a perfectly harmonious relation with each power having exclusive administration in its sphere. Since infinitely greater dignity and honor inhered in the spiritual function, however, it soon became clear that the temporal authority must concede precedence to the priesthood.

The twentieth century adaptation of the doctrine of the two swords to describe the relation of business and government was offered, appropriately enough, under the joint sponsorship of Calvin Coolidge and the Chamber of Commerce. Merle Thorpe, editor of *Nation's Business*, explained that, just when he was planning to express the aims of government and business,

> along came the President of the United States and said it for us, and said, too, some other things so sound, so much in accord with the policy of the Chamber of Commerce of the United States that we reprint these pertinent paragraphs:
>
> "Business and government might have had a better understanding of each other and been less likely to develop mutual misapprehension and suspicions.
>
> "The general welfare of our country could be very much advanced through a better knowledge by both of those parties of the multifold problems with which each has to deal.
>
> "I should put an even stronger emphasis on the desirability of the largest possible independence between government and business. Each ought to be sovereign in its own sphere." [23]

No less than church and empire in the Middle Ages, then, business and government should each enjoy sovereignty "in its own sphere." But if the harmony was to be perfect under this doctrine, the wielder of the less highly burnished blade must be humbly aware

[22] See William A. Dunning, *A History of Political Theories: Ancient and Medieval* (New York, 1902), 165–76.

[23] Merle Thorpe, "An Editorial Article by Mr. Coolidge," *Nation's Business*, XIV (January, 1926), 30.

that his was the secondary function. President Coolidge manifested his recognition of this fact with a humility that would have sufficed to ingratiate an emperor with the most demanding pope. "The Government is and ought to be thoroughly committed," he concluded, "to every endeavor of production and distribution which is entitled to be designated as true business." [24]

The coincidence of President Coolidge's views with those of American business has led one biographer to comment: "Calvin maintained the family tradition [in which 'politics had been an adjunct of business'] by transferring the seat of power from the White House across Pennsylvania Avenue to the United States Chamber of Commerce. The President's initials and those of the Chamber of Commerce were the same: the two bodies became identical." The Chamber of Commerce might well have concurred in this observation, but in the business theory the biographer's deduction from this point must be labeled a *non sequitur* at best and irreverent at worst: "Calvin Coolidge believed that the least government was the best government; he aspired to become the least President the country ever had; he attained his desire." [25]

On the contrary, the humble dedication of governmental authority to the service of business must be hailed as in conformity with the ordained pattern. Under the new doctrine of the two swords the business function replaces the spiritual as the more elevated. For the head of the government to recognize this fact is, so far from being degrading, as inspiring a spectacle as the picture of Henry IV, attired in sack cloth, standing for three days in the snow in humiliation and submission to Gregory VII.

In turning from the delineation of the true role of the chief societal institutions to an evaluation of their actual performance, the business theory affords a more complete picture of their relative importance. The appraisal by business spokesmen of the institutions of society is neither complex nor extended. Nor, one must admit, is it surprising: the most successful institution in society is found to be the business community itself.

A general survey of the "great human institutions" forced Professor Dyer to conclude that business was not merely the most successful but the only truly successful institution in operation. So

[24] *Ibid.*

[25] Irving Stone, "Calvin Coolidge: A Study in Inertia," in Isabel Leighton (ed.), *The Aspirin Age: 1919–1941* (New York, 1949), 130, 132.

overwhelmingly did the evidence support this conclusion, he asserted, that "I don't care what your point of view is, the American system of industry has been marvelous in its success." In the light of its more exacting societal role business might experience great difficulty in meeting expectations and could still emerge as the leading actor in the cast. Since it has done so well with a difficult assignment, Professor Dyer could safely observe, "I think an unbiased judge would say, that while there are yet many improvements to be made, and there are yet defects, the directors of the industrial life of America have made good." [26]

The verdict on the performance of government was equally unanimous. Despite the lesser demands of a supporting role, there could be only one answer to Professor Dyer's query, "Have the politicians been successful in their sphere?" His reply was unhesitating. "I don't suppose anybody would say they have. It is the one conspicuous failure in American life, and generally recognized so." [27]

When the "conspicuous failure" of society is compared with the greatest success, the contrast is startling. But the obvious failure of government to meet its secondary responsibility could serve at least some good purpose in highlighting this contrast. As Glen Buck put it, "I am convinced that almost the finest achievement of mankind is the very tangible thing that we call *American business.*" The certainty of this conviction was reinforced by the fact that "our business intelligence has so far outgrown our political intelligence that it looms like a white lily on a stagnant pool." [28]

Other societal institutions, of less immediate concern in the political theory of business representatives, may be ranked between these two extremes of incomparable success and miserable failure. Education was particularly susceptible to analysis by Professor Dyer in view of his dual status as educator and spokesman for business. That he would not permit his connection with an institution to affect his objectivity, however, is evident in the severity of his judgment: "I don't suppose anybody who knows much about education, who thinks (and there are not many who think intelligently I tell you) would say that education had been a success, as big a success as our system of business in the country." [29] The relative failure of education is underlined by the observation of E. W. Howe that "our

[26] Dyer, "Service Through Industry," *loc. cit.*, 40. [27] *Ibid.*
[28] Buck, "This American Ascendancy," *loc. cit.*, 15. Emphasis his.
[29] Dyer, "Service Through Industry," *loc. cit.*, 40. Emphasis omitted.

literature is laughed at abroad, but American business is applauded everywhere." [30]

The evaluation of the church was approached somewhat more circumspectly, but the result was much the same. Again Professor Dyer insisted that his assessment was generally concurred in, even among those identified with the institution being censured. "I don't suppose that any intelligent church man would claim that they have at all adequately coped with the problem of religion in the cities. The church is in a very serious condition. The Church has failed in a large measure; religion has not failed because religion has a way of breaking over." [31]

Having established his respect for the essence of religion, Professor Dyer apparently felt free to judge more bluntly the institution through which it is expressed. Religion as such is no failure, he explained, "but the church isn't at all adequate to cope with the problem of religion, and using a slang phrase, 'They are not putting the cause over.' " [32] Indeed, so far as pure moral achievement is concerned, Buck suggests that business itself has succeeded where the church has failed. "In the stress of the honest day's work we have at last convincingly demonstrated that true efficiency and high ethical standards are inseparable," he submitted. "And the result is a moral achievement almost unmatched in time." [33]

Although first from the point of view of its formal role in society, business actually exceeds expectations while all other institutions are falling short by various degrees. Since businessmen as individuals constitute the elite, however, it is only natural that the institution they direct should emerge as peerless in "putting the cause over," whether in the area of morals or of production.

In evaluating the institutional structure of society as a whole, business spokesmen are conspicuously more optimistic than in their appraisal of the actual performance of every institution except business. If all nonbusiness institutions perform unsatisfactorily, how can the general institutional pattern be applauded? The answer was adumbrated in the business analysis of the nature of man. The ills of society issue from the delinquencies of man himself, not from the institutional structure within which he operates. The business

[30] Howe, "The Submissive Business Man," *loc. cit.*, 12.
[31] Dyer, "Service Through Industry," *loc. cit.*, 40. Emphasis omitted.
[32] *Ibid.* Emphasis omitted. [33] Buck, "This American Ascendancy," *loc. cit.*, 15.

theory thus reverses Rousseau in fixing the responsibility for social misfortunes. Man is certainly not "everywhere in chains," but such lesser troubles as do afflict him are of his own making.

President Edgerton explicitly rejects the idea that the business indictment of deficiencies constitutes an imputation of guilt to the institutional pattern itself. "There is nothing fundamentally wrong with our system," he happily proclaimed. "It is the best so far that has been evolved from the wisdom of all the ages." If "our system" is the best ever devised, the shortcomings that business laments must have their seeds elsewhere. "Whatever the faults that inhabit it," President Edgerton concluded, "they are inherent in and indigenous to the mortals who operate it. It is, therefore, not the system which needs changing, but those people concerned with its operations who are dishonest, or otherwise incompetent." [34]

The strongest of evidence may be marshaled to support the hypothesis that absolutely nothing could shake the certainty of the business community's faith in the established structure of American society. While the cataclysmic effects of the Great Depression, beginning in 1929, induced uncertainty, pessimism, or complete disillusionment in others, it actually served to fortify the absolute character of business faith in the *status quo*. Others might claim that the existing order had produced the depression. Business leaders emphasized the more important and remarkable fact that the system had survived the initial impact of the crisis. The depression was no doubt a great trial, but an *increase* of faith in the system was warranted by its mere survival.

Certainly, nothing has happened to weaken the confidence of understanding minds in the essential parts of our American economic system and in its adaptability to the highest ends of progress, nor in our scheme of government. On the contrary, while the depression has brought into clearer view some egregious abuses of both our economic and political mechanisms, *it has at the same time demonstrated their sufficiency of strength for as severe a test as has yet been known.* There are, therefore, manifestly sound reasons for not only a continuing but even a greater faith in them as the best vehicles of progress yet devised.[35]

Indeed, the system might completely destroy society without any diminution of faith on the part of business in its essentially benefi-

[34] Edgerton, "The President's Annual Address," *Proceedings, N. A. M.* (1925), 12.
[35] Edgerton, "Annual Address of John E. Edgerton, President of N. A. M.," *Proceedings, N. A. M.* (1930), 12. Emphasis his.

cent character. As President Edgerton put it, "Yet, even the inventors of machines have been killed by their own inventions, for which, of course, you can't reasonably blame the mechanism so much as its operator. *So, I contend that much less is wrong with our political and economic systems than with the operators and some of their policies and methods of operation.*" [36] Anyone with the effrontery to suggest that a sizable percentage of the hapless inventors referred to here were the victims of defects in their creations must be dismissed as the impressionable captive of Frankensteinian fiction.

So great are the merits of the American system—with business not only holding the most important societal role but offering the only example of great success in practice—that the business theory places it outside the bounds of rational attack. If business faith in the system could not be diminished, however, it could be enhanced. From the plateau of achievement already realized, any worthwhile change must be of a millennial sort, based upon the idea, not that there are serious defects in the existent system, but that it had placed complete perfection within reach.

To this end, any modification of such a well-ordered institutional structure as that of America should be in the direction of further augmenting the role of its most successful institution. And, for maximum benefits, such an augmentation should naturally be at the expense of the greatest failure. The result, however inevitable in logic, may be somewhat unexpected: The business theory is led to share with communist dogma the expectation that government will eventually wither away. The editors of *American Industries* so enthusiastically approved an argument to this effect in *Life* that they quoted it at length:

> Not always do the editors of the nation's papers deny frank and full credit to industry. *Life*, in discussing the possibilities of a war and, with an eye to preparedness, says, "Meanwhile, one reads, not altogether without feelings of reassurance, that Henry Ford's factory is turning out excellent airplane engines, thereby taking time by the forelock and arranging, without much advertisement, a line of private preparedness for any sort of international political weather that may be breeding.
>
> "*Who are the managers of the United States in these days? Who take care of undertakings that they think are necessary and put them through? Who but the managers of the industrial enterprises of the country? Since the Senate stands between the Government of the United States and*

[36] *Ibid.*, 12–13. Emphasis his.

an international policy, it falls to these other managers to supply, in so far as they can, the world aid and the local self-protection that the times demand. And see how they do it! Dawes and Young represent industry. Mr. Gary and Mr. Schwab represent all manner of war material. Somebody else is thinking about chemistry, not unaided, to be sure, by the Government, and now Mr. Ford regards the sky.

"Certainly this is the day of the private citizen. He can do what governments cannot. Let Government provide a great protective force and it will terrify the world. Let private industry do it and nobody is scared except, to be sure, as the French are scared by what they think the Germans may be doing.

"*Are we approaching a millennium in which visible government will not be necessary and in which the job of running the world will slip away from obstructive politicians and be taken over by men trained in the shop?*" [37]

No millennial picture could have appeared more inspirational to business organizations than one which pictured "visible government" sinking to desuetude. "And why," the editors of *American Industries* asked, "should not the organizers of great and successful industries be thoroughly competent to organize our greatest national industry—government—on a sound basis, eliminating extravagance, duplication and unnecessary waste?" [38]

The business and communist theories differ radically in that the one abhors government as a tool of business and as an obstruction to the achievement of a homogeneous, classless society, whereas the other abhors it equally as a check upon business and as a threat to the achievement of a differentiated and stratified society. But just as the paradisiacal concept of Marxist theory envisions the disappearance of government through the success of the communist elite, the business theory anticipates a similar disappearance through the success of the business elite. And the liquidation of "obstructive politicians" as an impediment to materialistic forces is a feature prominent in both these eschatologies.

[37] Editorial, "The Nation's Industry Through Editorial Eyes," *American Industries*, XXV (May, 1925), 21. Emphasis his.

[38] *Ibid.*

[VI]

The Tie That Binds

THE conception of the unifying agent of society is quite as revealing an aspect of a political theory as is its delineation of societal ideals and institutions. Whether the bonds of unity be fixed in the force of charismatic leadership, the attributes of a superior race, the ties of nationalistic sentiment, the mystical body of Christ, or popularly established patterns of social relations, the nature of this tie appears to be a key element in any political theory. Nor was the business theory, as developed by the National Association of Manufacturers and the Chamber of Commerce, remiss in the task of locating the coalescing ingredient of society.

In its most exalted state, the unifying agent of society assumes the simple and appealing form of brotherly love. That this was the best of all possible means to unity was manifest in President Edgerton's injunction that men in general and the clergy in particular should "lay foundations of love," the one source "from which brotherhood and peace will naturally rise, and upon which only can the structures of man rest in eternal security." Insofar as the elevating balm of love is spread in any community, complete solidarity will be achieved: ". . . kindle the flames of love in human hearts, and the possessors of those hearts will unerringly and invariably find appropriate and adequate ways of expressing that love helpfully." [1]

For those to whom the advocacy of unity through love appears to be a counsel of perfection, the business theory offers a less sublimated version of the same unifying force. Brotherly love is translated with surprising ease into terms which take full cognizance of man's selfish motivations. As selfish creatures, men are united by a harmony of interests.

The famous doctrine of the harmony of interests, implicit in the consideration of man's motivations, attains central importance as

[1] Edgerton, "The President's Annual Address," *Proceedings, N. A. M.* (1925), 12.

the functioning bond of unity in the business theory of society. In pursuing his own interest, the individual promotes that of society; and to promote the interest of society he must pursue his own. In recognition of this fact, a discriminating brotherly love will express itself in action indistinguishable from that emanating from self-love.[2]

Business leaders were not only convinced that the true interests of all ranks of society coincided, they were sanguine about the extent to which this harmony had impressed itself upon others. By 1929 they could congratulate themselves that "it has become almost universally recognized in our country that the interests of labor and capital also of management and public are inseparable and practically indistinguishable." [3] In view of the fact that Adam Smith had observed as early as 1776 that the "great orders" of the community are "strictly and inseparably connected with the general interest of the society," [4] the speaker might have been expected to complain that this recognition was long overdue.

His failure to do so may be explained by the fact that true realization of the harmony of interests had awaited the peculiar genius of American industry, which could achieve "the strangling of discontent by the baptism of general prosperity" beyond the dreams of the eighteenth century.[5]

With the unifying agent of society discovered in the identity of interests characterizing all its components, the community is as closely knit as if unalloyed love prevailed. If the harmony of interests thus represents a slightly baser form of brotherly love, one might expect love itself to become manifest where the identity of interests was most clearly revealed. And this appears to business spokesmen to be the case. In aiding the community at large to perceive its unity, industry has achieved almost pure love. "There is hardly a doubt that in industry more than anywhere else within recent years the spirit of human brotherhood has experienced its greatest and most numerous triumphs." [6]

[2] The adjective *discriminating* should be noted because of the importance it subsequently assumes. See pp. 100 and 104 *infra*.

[3] Edgerton, "Annual Address of President John E. Edgerton," *Proceedings, N. A. M.* (1929), 23.

[4] Adam Smith, *An Inquiry into the Causes of the Wealth of Nations* (Edinburgh, 1839), 106.

[5] Edgerton, "Annual Address of President John E. Edgerton," *Proceedings, N. A. M.* (1929), 21.

[6] *Ibid.* Emphasis omitted.

Since the interests of all are identical, it should make no difference whom one consults in arriving at the general interest of society. In an analogous circumstance in *Animal Farm*, however, George Orwell had the donkey announce that "all animals are equal, but some animals are more equal than others." [7] The business approach here is somewhat similar to that of the donkey: Although the interest of every group is identical with the public interest, the interests of some groups are more identical than others. "For the welfare of business, especially of big business, the product of intense individualism, necessarily means the *public* welfare," Fay asserted. "The two are absolutely inseparable!" [8] In the gradation of identification suggested by Fay, the interest of "big business" is revealed as "especially" identical with the interest of society at large.

Rather than troubling to determine the interest of each group separately, according to its own interpretation, one may rely on the harmony of interests and determine the interest of all by that of one. Since business has already been established as constituting the elite,[9] it is by definition the best informed group as to its own interest and, therefore, as to that of society. For Fay to focus on the interest of big business as most identical with that of the community is accordingly neither surprising nor illogical. The interest unifying society, then, is quite simply that of business.

The business theory has described the unifying agent of society in general terms, but how does it operate in actual practice? Society is in fact unified to the extent that all its members are able to perceive the identity of their interests and modify their actions accordingly. And the harmony of interests is reflected in action to the extent that others turn to business for a definition of their own interest. Fay proceeds beyond these general propositions to explain that employees and the public at large may prove they have arrived at an understanding of the underlying harmony when they begin to demonstrate their faith and trust in such leaders as John D. Rockefeller.[10]

A more complete illustration of the manner in which the harmony of interests manifests itself in action comes from Charles M. Schwab's recollection of his part in the Homestead, Pennsylvania,

[7] George Orwell, *Animal Farm* (New York, 1946), 112. Emphasis omitted.
[8] Fay, *Business in Politics*, viii. Emphasis his.
[9] See Chapter II, *supra*.
[10] Fay, *Business in Politics*, 169–70.

steel strike of 1892. The Homestead strike probably offers as extreme a violation of the harmony of interests as one could find in view of the fact that at least twelve men were killed and some sixty wounded before the workers were willing to give up their union.[11] But Schwab recalled in 1930 that even then he had recognized the task to be that of demonstrating to the men that their interest was identical with the company's. When Andrew Carnegie asked him to settle the strike he moved immediately to establish the true harmony that others had failed to perceive.

"The first thing I did," he recalled, "as soon as talk became possible, was to send for the leaders of the men, and I said to them:

" 'Boys, this won't do. There never was a strike in the world that paid anybody. It's as bad or worse for the men as it is for the employer. We must get together in this thing, and if you will place your confidence in me I give you my word you will get a square deal.' " [12]

All that was necessary for the workers to realize their interest was for them to permit their employers to define that interest. The difficulty had arisen, not because of any divergence of interests, but because of the employees' inability to appreciate their concordance. As Schwab put it, "Those men had some rights, whether others were willing to recognize it or not. They were not all wrong. They were, many of them, ignorant men carried away by their sense of injustice and by anger." [13]

In this explanation of the harmony of interests in terms of a specific problem, Schwab did more than elucidate the meaning of the concept. He demonstrated that the business theory could not give blanket endorsement to Adam Smith's classic enunciation of the doctrine. For Smith the harmony was not disturbed if those concerned were unconscious of it. The member of society, he insisted, "neither intends to promote the public interest, nor knows how much he is promoting it. . . . he intends only his own gain; and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention." [14] The "invisible hand" is still envisaged in the theory of organized business, but its

[11] See John R. Commons *et al.*, *History of Labour in the United States* (New York, 1921), II, 495–97; and Matthew Josephson, *The Politicos, 1865–1896* (New York, 1938), 508–509.

[12] Schwab, "What I've Learned About Business," *loc. cit.*, 196.

[13] *Ibid.*

[14] Smith, *The Wealth of Nations*, 184.

signals may be ignored by ill-informed workers. Business spokesmen are magnanimous enough to add that workers need not be maliciously "wrong" to violate their own best interests; they may simply be "ignorant men carried away" by their emotions.

In piecing together the political theory identified with American business one becomes accustomed to witnessing general principles qualified to the point of apparent repudiation. Certainly the concept of the unifying agent of society offers a striking example of this recurring tendency. As a general proposition the unity of society is seen to derive, if not from pure love, at least from the harmony of interests. But the initial qualification derived from Schwab's experience, that the incompetent may be unable to perceive this true harmony, opens the door to more extreme qualifications that appear to offer an entirely different source of unity.

Quite unlike the idea of a harmony that all are inspired voluntarily to follow is that of a cohesion achieved through coercion. But business spokesmen quickly shift to this apparently incompatible route to unity when confronted with specific problems. This shift of emphasis arises from the fact that harmony may be threatened willfully as well as through simple ignorance.

In the midst of their pleasure over the conspicuous triumphs of "the spirit of human brotherhood" in industry and the virtually unanimous recognition of an identity of interests by all classes, business spokesmen were sobered by the thought of those who remained unenlightened. "While however, the universal recognition of the brotherhood of man is being established in the earth, and love is being enthroned as the dominant force in all human relations, there will be time for disaster to the process, during which its friends must be on guard." [15] The source of the threat to human brotherhood was clear to business leaders as early as 1920. The first words in the first editorial of the decade in *American Industries* herald the gravity as well as the nature of this threat:

"One great issue confronts the world today. It hardly needs comment or rather it defies comment. Strike after strike warns us of a tremendous industrial upheaval threatening the world. When Russia began it, we thought we were safe, but now we are not so sure. Capital

[15] Edgerton, "Annual Address of President John E. Edgerton," *Proceedings*, N. A. M. (1929), 21.

and labor are engaged in a great struggle, and tangles of red tape on the one hand and stout 'Red' threads on the other tie the whole world together, not for brotherhood, but for strife." [16]

On the one hand, "love is being enthroned as the dominant force" of society; on the other, the Bolshevist promise of conflict and strife. And the alarmed business community immediately perceived that postwar American strikes, despite the excuse of soaring prices and lagging wages, were an integral part of a world-wide repudiation of the brotherhood of man. But society would be unified in harmony or else—those too obdurate to follow this route willingly must be met with coercion. As Louis Marshall put it, "We have no use here for the anarchist or the bolshevist, or the man who is opposed to orderly government and to the orderly processes of government." [17]

The implications of this approach were carefully spelled out by Elbert H. Gary, chairman of the United States Steel Corporation. "Considerable has been said in public of late concerning the attempt to spread the doctrine of Bolshevism in this country. All of us have known for some time that this disease is persistent and that there has been some inoculation even in this best of countries." If the diagnosis was disturbing, the medicine was correspondingly strong, and the cure certain.

> Still we deny that there is danger of serious trouble. There is only one way to treat this disease and that is to stamp it out, to meet it boldly wherever it can be found, to expose it and to give it no chance for development. In this free country, with its reasonable laws wisely administered, its golden harvests, healthful climate, peace-loving inhabitants who are generous in contributions for relief and protection, schools, churches, and hospitals, there is no room, except in the prisons for the anarchist, the Bolshevist, or other individual who seeks to substitute the rule of force for the rule of law and reason. If there are slinking, desperate, murderous Bolsheviki in this country, even in small numbers, I believe the Secret Service Department of the Government should detect and expose them and that the iron hand of justice should punish them as they deserve, and as I have faith in this country and in its institutions, I believe this will be done and done promptly. Any one who doubts the ability of the proper authorities to protect the persons and property of our people against Bolshevism and other similar doctrines fails to

[16] Editorial, "An Antidote to Bolshevism," *American Industries*, XX (January, 1920), 8.

[17] Marshall, "An Immigration Policy," *loc. cit.*, 171.

appreciate the courage of our citizens and the terrible force and strength of subdued calmness when they are surrounded by threatened danger.[18]

In applauding the idea that the only proper place for disturbers of the harmony pervading "this best of countries" is its prisons, the business community was not suggesting that agitators should enjoy for long even our prisons. The first president of the National Association of Manufacturers during the decade, Stephen C. Mason, heartily endorsed the deportation of "undesirables" and advocated that it be continued at an accelerated pace. "The recent action of the Government in the deportation of undesirables is to be commended. It is the only punishment that fits the crime of anarchy, sedition, or revolution by force, and the Government should comb the country with a fine-tooth comb and not let up until the last one of these pests is sent back to the country from which he came." [19]

Unfortunately, however, not all pests are foreign-born. Native Americans who were blind to the benefits of love offered by American business posed a more delicate problem. The un-American American was already in his land of origin, and its Constitution made legal repression difficult. But business leaders spoke hopefully, if somewhat wistfully, of finding techniques of coercion for him as well.

In 1929 Silas Hardy Strawn, chairman of the board of Montgomery Ward and Company, impartially castigated all agitators with a vehemence that Judge Gary had reserved for the foreign-born. "Ours is the oldest republic and the fact is generally recognized that we have the best governed country in all the world," Strawn began. "We should applaud and encourage the efforts of our government officials promptly to deport the cranks and communists who, having fled from the oppression, hardship and poverty of their own countries, as soon as they are comfortably located within our borders commence to harangue about the defects in our form of government and our laws." [20]

In turning to the native abettors of these foreign "cranks and

[18] Elbert H. Gary, "The Menace of the Closed Shop," *American Industries*, XX (January, 1920), 31–32.

[19] Stephen C. Mason, "Revitalize the Nation's Industries!" *American Industries*, XX (March, 1920), 8.

[20] Silas Hardy Strawn, "Problems of the Manufacturer," *American Industries*, XXX (October, 1929), 119.

communists," Strawn showed no diminution in his zeal to protect the harmony of interests. "Speaking for myself," he declared, "I have often wished there could be some way of deporting those creatures who, through no fault or virtue of their own, happen to be born here—I do not call them citizens, because they never rise to the responsibilities of citizenship—but who, in the role of 'parlor socialists,' while enjoying all the luxuries and pleasures which are so easily available and which generally have come to them by the industry and economy of their ancestors, complain about conditions obtaining here instead of trying to do something helpful or constructive for their country." [21] The physical problem posed by the absence of a foreign port of debarkation rather than the constitutional problem of civil liberties would seem to explain the reserved character of Strawn's enthusiasm for deportation of native agitators.

The idea of coercion is thus extended from foreign-born to native disturbers of American unity. No less significant is the demonstration that repressive action is not reserved for the revolutionary or the professional communist agitator. Previous statements have referred to the necessity of "stamping out" the "Bolshevists" and "anarchists" in our midst. It now appears that the references to "undesirables" holding "other similar doctrines" were intended to include the native American socialists. Despite the fact that the socialists reject the idea of change through force, it is evident, at least to Strawn, that their criticism of "conditions obtaining here" constitutes proper ground for repressive action.

With the need for coercion thus extended, who can be trusted to realize the harmony of interests voluntarily? The business theory does not stop with communists and socialists: the term "undesirables" is broadened to the point where anyone not "saturated with American loyalty and patriotism" offers a proper target for punitive action. Senator Edge, after explaining that he spoke as a businessman rather than as a statesman, described to the National Association of Manufacturers in 1920 the grave problem posed by the un-American American. "Almost every day discloses the un-Americanism of some native-born American; how much less then are we to expect true Americanism in those recently landed, many of them impregnated with the political heresies and fanaticisms of discontented lands? Every man, woman and child in this country, whether native born or

[21] *Ibid.*

an immigrant, should be saturated with American loyalty and patriotism." [22]

How should those insufficiently imbued with patriotism be approached? Obviously force of some sort is called for. "Immigrants who withstand Americanization should be deported. Native Americans who weaken or waver in patriotism I am tempted to suggest should be boycotted." [23] Neither revolutionary nor peaceable radicalism is necessary to constitute grounds for constraint. The native American not "saturated" with loyalty to the established order, he who merely "weakens or wavers" in his degree of impregnation, deserves no greater consideration than the impervious immigrant. With deportation rendered impracticable by his native status, a boycott is the only penalty that constitutional limitations leave available. But it is evident that more vigorous coercive action against any violator of the harmony of interests would have been applauded by spokesmen for the business community if the government could have found a means of applying it.

How can the business theory begin with the idea of unity through brotherly love and end with the idea of unity through coercion? How do reprisals against the dissenter issue from the principle of the harmony of interests? However such a transition might appear to an outside observer, it constituted a logical and probably indispensable development in the business theory. When it is remembered that "right" and "truth" were revealed to business leadership, one can better appreciate the character of business principles. If based upon revealed truth, a principle becomes absolute and immutable. As Professor Carl J. Friedrich puts it, "fundamental beliefs do not permit of exceptions" when they are based on the idea "that some persons know what is right." [24]

The applicability of this reasoning to the business theory is manifest in President Edgerton's interpretation of the meaning of a principle: "I think that a principle, when once its identity as a principle is unmistakably established, is worth dying for. . . . A man may compromise his opinion with the preservation of his self-respect. He may recede from a theory with honor: he may revise his philosophies and ideas of life without the sacrifice of self-respect or any honor, but a man cannot abandon a principle—a real principle—without

[22] Edge, "Will Immigration Injure Our Industry or Our Labor?" *loc. cit.*, 183–84.
[23] *Ibid.*, 184.
[24] Carl J. Friedrich, *The New Belief in the Common Man* (Boston, 1942), 173.

the loss of honor." [25] As a basic societal principle rooted in "right," the doctrine of the harmony of interests must be preserved at all costs.

For some to act as if no such harmony existed, therefore, does not cast doubt upon the validity of the principle. It simply proves that they are not right-thinking persons, that they are blind to their own interest as well as that of society. With the identity of interests an almost universally recognized truth, one must conclude with President Edgerton that "those are not good friends to society, therefore, who do or would disturb this happily developing situation of fraternal spirit . . . by preaching or teaching distrust, hatred, and disloyalty." [26] Because the principle assumes a voluntary realization of unity is insufficient reason to permit the misguided to reflect unfavorably upon it and to jeopardize the interest of all. Having perversely placed themselves outside the benefits of the theory, they have become enemies rather than "good friends" or true members of society; they may accordingly be coerced in order to preserve the harmony for those more enlightened. It is the "undesirables" who should be sacrificed, not the principle.

The emphasis given here to the business hope of excluding "undesirables" from society or of finding a substitute punitive measure to apply to them results from the twofold purpose of (1) presenting the business interpretation of the unifying agent of society in full and (2) explaining what might appear to be an incongruous note in the business theory. This is not designed to detract from the fact that, to business leaders themselves, the idea of brotherly love and voluntary harmony offered the chief route to societal unity. Coercion would be needed only for those malcontents who were not "good friends to society." True Americans had already perceived the harmony which welded them into "this best of countries."

Perhaps the essentially benevolent over-all character of the business conception of the unifying agent of society was put in best perspective by a *Nation's Business* article, "The Marion Idea Has Moved East." Referring to President Harding's appointment of a number of his old Marion, Ohio, associates to key federal jobs, the author noted approvingly that "the philosophy of Marion is becoming national. Brought to Washington, a test of its soundness and applica-

[25] Edgerton, "Address of President Edgerton," *Proceedings, N. A. M.* (1923), 151.
[26] *Id.*, "Annual Address of President John E. Edgerton," *Proceedings, N. A. M.* (1929), 23.

bility is being made." And the Marion philosophy undergoing this test appears to have offered a concrete illustration of the manner in which the harmony of interests could be most readily realized. The article centered about D. R. Crissinger, who had served for a few months as president of the National City Bank and Trust Company of Marion, and whom Harding had appointed Comptroller of the Currency. Some might have argued that such a brief executive experience in banking, entirely confined to Marion, had not equipped Crissinger for such a vital task; but to the business world it was more important that the little Ohio town had unquestionably equipped its citizens with an appreciation of the concordance of interests characterizing America.

It might as well be known as the soul of Marion, or the procedure of Marion, as by any other term. Neither would formula be an unexpressive noun. Anyway, it is a course of communal thought and action in which the elements of cooperation, neighborliness and laudable selfishness promote, by the chemistry of human nature, a reasonable measure of prosperity and tranquility. Therefore, the spirit, or the practice of Marion, however it may be categorized, becomes the affair of all the men, women and children in the United States.[27]

When the test of the Marion philosophy had been completed, few could deny that the "practice of Marion" had indeed become "the affair of all." Later historians have, it is true, come to refer to this cadre of public servants imported from Marion as the "Ohio Gang" and to fix largely on them the responsibility for the fact that "the Harding Administration was responsible in its short two years and five months for more concentrated robbery and rascality than any other in the whole history of the Federal Government." [28] But at the time the appealing harmony produced by the combination of "cooperation, neighborliness and laudable selfishness" demanded universal respect. Here was a selfishness that constituted no threat to the identity of interests. As in the joyous competition between women's missionary societies at a charity bazaar, all were equally dedicated to the same good cause; to the sweet harmony that prevailed the thrill of competition merely added needed flavor.

And even if those who, at the moment, appeared to represent the best in the business philosophy were proved to be scoundrels, they

[27] James B. Morrow, "The Marion Idea Has Moved East," *Nation's Business*, XI (May, 1923), 23.

[28] Frederick Lewis Allen, *Only Yesterday: An Informal History of the Nineteen-Twenties* (New York, 1946), 177.

could reflect not one whit on the principles they were held to have epitomized. Since business no longer held with Adam Smith that it was impossible for any individual to pursue his own interest to the detriment of that of society, the business version of the doctrine of the harmony of interests was not committed to the defense of *every* individual gain as a contribution to the public weal. It was, after all, not the philosophy of Marion that was being "tested," but the worth of her leaders. The underlying harmony of interests still prevailed, however impervious a few might be to its appeal. The abuses of the Ohio Gang accordingly could no more reflect upon the principles the "gang" espoused than the pastor's elopement with his church's funds and organist could reflect upon the eternal verities of Christianity.

PART THREE

GOVERNMENT

Necessity and Evil

[VII]

Negative Ends and Limited Means

IN THE hands of Tom Paine the concept of government as at best a necessary evil, the badge of our lost innocence, served as an inflammatory weapon for revolution. After the passage of a century and a half this doctrine was still prominent, although transformed from an offensive to a defensive weapon in the arsenal of political ideas garrisoned by the National Association of Manufacturers and the Chamber of Commerce. Those more impressed by the radical tenor than by the dogmas of early American thought may have been blind to the sustaining validity of the ideas as such, but business spokesmen were quick to recognize their permanent value.

Charles N. Fay was well within the main stream of eighteenth-century American thought in exposing the distortion in the politician's picture of the nature of government. Even when "he *wants* to do right by the people whose taxes he lays and spends," the politician's astigmatic perception is obvious. It is "my observation, and probably your own," Fay noted, "that in *practice* substantially *none* of these layers and spenders of taxes *views government as a costly overhead expense*, which an honest legislator should keep down to the minimum!" Indeed, the departure from original principles had gone so far that public men could conceive of government as a positive good. "Very nearly all of them consider what they call *progressive government* to be an entirely *desirable* thing, of *growing benefit* to the tax payers. . . ." [1]

Recognizing that "this widely prevalent idea works out inevitably in poor government and high taxation," business leaders sounded the call for a return to the superior doctrines of the past. "To the business man both [government and taxation] mean *necessary nuisances*—forever costing something, or in the way of doing something!" [2] As a necessary nuisance in the lives of the citizens who

[1] Fay, *Business in Politics*, 23. Emphasis his.

[2] *Ibid.*, 14. Emphasis his.

tolerate it, government can never become the "entirely *desirable* thing" that it represents to the politician.

Although one cannot logically look to even a necessary nuisance for "growing benefit" to its victims, there is no suggestion in the business theory that government is not a legitimate institution. The legitimate nature of government, however secondary its importance, was implied above in its recognition as a basic institution of society.[3] James A. Emery explicitly makes the point that a disenchanted view of the nature of government need not issue in complete repudiation. "We recognize that there is a right sphere of government under our institutions. It must recognize natural limitations of law and its own fundamental faith." [4]

What are the "natural limitations" within which government is acceptable? The business reply is that they can be defined only in terms of the end or purpose for which government is constituted. Rooted in the law of nature, the purpose of government is so universal as to transcend mere forms of government. One might assume that the difference between democracy and tyranny is sufficiently basic to reach the very purposes of government, but the business theory will have no part of such an illusion. Fay ranges through all of human history to support this point:

"From time immemorial all men have accepted government of some kind, for their common protection. At first it was often a simple tyranny of the strongest man; by his own bodily or mental force, and by no one's leave. Nowadays we have 'government by, of and for the people.' But in all ages the primary purpose of all government (except recently in Soviet Russia) has been the defense of the life and property of each and every citizen, against violence, theft or fraud; whether from within or without the community." [5]

To business spokesmen no less than to the framers of the American Declaration of Independence the existence of "certain unalienable Rights" appears to be a self-evident truth. If the primary purpose of all governments, with only one exception since the first coercive rule of the "strongest man," has been the protection "of life and property," these must be at least as "unalienable" as the rights the colonists complained had been violated.

[3] See Chapter v, *supra*.
[4] Emery, "Our Industrial Platform," *loc. cit.*, 272.
[5] Fay, *Business in Politics*, 80.

Certain dissimilarities between the business statement and the original Declaration are, of course, immediately apparent. Most basic of all is the fact that, in its new formulation, the universal purpose of government is not designed to buttress the right of popular revolt. One would be hard put to discover any revolutionary zeal in Fay's insistence that government is rooted in "the *primary* purpose of *common defense*," whereas there is nothing more than a "*secondary* purpose of the *common welfare*." [6] Nor could there be any suggestion, in view of the business theory of the nature of man, that "all men are created equal."

The substitution of "property" for "Liberty and the pursuit of Happiness" may be of less far-reaching significance than it appears at first glance. The business conception of man's *summum bonum* certainly demonstrated beyond all doubt that liberty and the pursuit of happiness may be subsumed under the more universal heading of property. Just as the framers of the Declaration undoubtedly assumed that the "pursuit of Happiness" included among other things the right of property,[7] the business theory may be held to assume that the right of property encompasses among other things "Liberty and the pursuit of Happiness." Thus they are by no means eliminated from the purposes of government; they are simply relegated to a less elevated status.

With the most conservative estimate of the importance of this change, however, one must at least conclude that it represents a meaningful shift of emphasis. Such an interpretation appears to be virtually demanded in view of the fact that the ringing phrases of 1776 have been so familiar to all Americans that an emendation could scarcely have been unadvised.

That the de-emphasis of "liberty" was not inadvertent is manifest in the explanation of the inalienable character of basic rights as distinguished from liberty: ". . . men join in setting up free, democratic government, not to take away anybody's rights, but to protect everybody's rights, by limiting their own and their neighbors' liberties; forbidding certain things that neither citizen nor foreigner may do." Liberty may be reduced in a democracy, but more fundamental rights may not. "*Beyond* those limits I agree that *nobody* may

[6] *Ibid.*, 81. Emphasis his.

[7] See Julian P. Boyd, *The Declaration of Independence* (Princeton, 1945), 3–4.

go; *within* them I reserve all my liberties. *But I never part with any of my rights,* which are inalienable. Such is Jeffersonian democracy, and free government, as I understand them." [8]

Although liberty is tremendously important, it cannot be permitted to extend too far even in a democracy. The overriding necessity is for a state of order in which life and property are protected. "There is, therefore, a danger in restricting liberty, but not in controlling license," James A. Emery explains. "Every form of restriction exercised by government rests upon the necessity of protecting the public welfare and securing the equal freedom of all. Liberty without order is fire on the floor; liberty with order is fire in the hearth." [9]

The general outline of those "natural limitations" within which government must be confined thus comes into focus. The pattern is set, for democracy no less than tyranny, in terms of the purpose of protecting the life and property of each individual. It is the unyielding character of this pattern that leads business representatives to part company entirely from the Declaration's insistence on the right of popular revolt.

In the assertion that government is designed to protect fundamental rights against attack "from *within* or without the community" [10] the business theory clearly struck a note more in harmony with the theme of the Tory than the revolutionary among our forebears. It was the Tory spokesman, Daniel Leonard, who found the "end and design of government" to be "the security of the people from internal rapacity and violence, and from foreign invasion." [11] If rights are truly inalienable, they must endure even against the wishes of the majority. As Emery puts it, ". . . we believe that the administration of government, like that of private affairs, should cling to the teachings of experience, and avoid the dangerous experiments of merely popular speculation." [12] Democracy does not require, indeed, it must avoid, continuous response to the wishes of the majority.

The business community was so deeply impressed with the infinite variability of man's capacities and with the strength of natural law that these concepts heavily underline its position on the funda-

[8] Fay, *Business in Politics,* 154–55. Emphasis his.
[9] Emery, "Our Industrial Platform," *loc. cit.,* 272. [10] See p. 112, *supra.*
[11] John Adams and Daniel Leonard, *Novanglus, and Massachusettensis* (Boston, 1819), 169.
[12] Emery, "Our Industrial Platform," *loc. cit.,* 272.

mental functions of government. The result is a role of preservation rather than creation for government. Julius H. Barnes, president of the United States Chamber of Commerce, was confident that he could speak for the nation as a whole on this point: "America conceives that the prime obligation of government is to preserve to the individual the reward of superior effort or superior ability apportioned to him through the natural processes of trade and, therefore, apportioned more fairly by society than would be possible through the arbitrary action of any man or body of men placed temporarily in authority." [13]

In fulfilling this primary obligation government will do its part to implement an underlying ideal of all society, the philosophy of fair play.[14] In terms of this societal ideal nothing could be more important for government than the preservation of the rewards of the superior: ". . . under this philosophy [of fair play] the true and sound function of government is to preserve fair play between individuals so that each individual, by his own character and ability and his devotion to effort, may carve his place in the social structure and keep secure this place for the individual and his loved ones." [15]

Insofar as government performs its "true and sound function" of perpetuating natural social distinctions, it will realize its primary purpose, the protection of life and property. More specific functions, consonant with the general obligation of maintaining fair play, also emerge logically from the end of government. Relying on the purpose of government as a guide, Fay was able to delineate briefly the minimum functions of government: "This purpose ['the defense of the life and property of each and every citizen'] necessarily resulted in army, navy, diplomatic, and consular establishments, to protect all citizens against foreigners: and the law, justice and police establishments, to protect them against their fellow-citizens—the weak against the strong. To pay the cost of these things, taxes had to be laid and collected; and tax-assessors and collectors had to be appointed and paid. This short statement fairly outlines the foundation and the framework of government; and indicates its . . . irreducible minimum of scope and function." [16]

However complete this outline of the primary functions of government, it was all too clear from the vantage point of the twentieth

[13] Barnes, *The Genius of American Business*, 113. [14] See Chapter v, *supra*.
[15] Barnes, *The Genius of American Business*, 85. [16] Fay, *Business in Politics*, 80.

century that certain additions had been made. Just as the minimum functions represent an outgrowth of the primary purpose of government, it is as a response to "the secondary purpose of the common welfare, that certain public works and public services date far back into antiquity." [17]

Despite their ancient origins, secondary activities in pursuit of the common welfare were not greeted by business spokesmen with marked enthusiasm. "Meantime we know, by centuries of government, that a few secondary functions, though seldom as well or economically done as like work in private business, yet work well enough to be worth all they cost," Fay reluctantly conceded. "Such are for state and local government, in the order of their importance, water-supply, good-roads, sanitation, education, care of the sick and defective, and the poor; and for national government good money, weights and measures, and the fostering of agriculture, trade, science and art." [18]

To some this list of secondary government functions might appear excessively modest. "The main argument for imposing these secondary activities upon government has always been," Fay submitted, "that they are fundamentally necessary for public welfare. . . ." But this proposition, however valid for a few functions, manifestly represents a dangerous line of reasoning when it is weighed against the arguments in opposition:

> On the other hand arise the main arguments against imposing *secondary* activities of all kinds upon government,—and most powerful arguments they are—namely, (1) that to organize and maintain merely the *primary* and indispensable functions of government *is a task already so vast as to overtax the powers of man*, without adding needless burdens. (2) That it is the worst kind of blunder to educate the citizen to lie down on the community for his own welfare, work, wages or daily living,—say nothing of wealth,—all of which have, in all history, been the reward only of individual effort.[19]

If government is already overtaxed by its "primary and indispensable functions" as soldier, policeman, and taxgatherer, and if additional functions have a deleterious rather than a salutary effect upon the citizenry, one must be extremely wary of any proposal to extend government activities. Confused by the seductive nature of

[17] *Ibid.*, 81. Emphasis omitted.
[18] *Ibid.*, 82–83.
[19] *Ibid.*, 81–82. Emphasis his.

appeals to the public welfare, the problem demands a sound frame of reference if it is to be satisfactorily resolved. President Barnes finds the needed criterion in the obligation underlying all government functions:

"It will be helpful, in estimating the value of legislative or administrative acts by which government touches the lives and activities of its people, to apply this simple test:

"*Is this act necessary for the preservation of fair play between individuals?*

"If an act cannot be justified by this analysis then it has no place upon the statute books of individualistic America." [20]

Applying this admirably "simple test," business leadership readily concludes that the role of government must be confined to the political sphere. Laws of nature are not only more certain to ensure fair play but also more powerful than those of man. So deep-rooted is this conviction that President Barnes regards it as an instinct: "Business men instinctively—by reason of observation and experience—oppose the entrance of Government into the economic field. They know that national treasuries and political authority may postpone but cannot entirely deflect the workings of economic law. They have learned that the only safe equalizer of supply and demand, the only prevention against cumulative destructive surpluses, is the control of price through free play made effective through trade." [21]

Although psychologists might quibble about whether an attitude derived from "observation and experience" can be described as operating "instinctively," no one could deny the fundamental character of business opposition to "the entrance of Government into the economic field." A sound sense of history, no less than personal observation, supports the idea that government cannot be safely extended beyond the political sphere. "The history of civilization leaves no grounds for doubt—no chance for disputing that the consciousness and the intelligence and efficiency of the individual are lessened, and the stability of the state weakened," W. G. Clugston averred, "whenever the government is called upon to do more than preserve political liberties." [22]

[20] Barnes, *The Genius of American Business*, 27. Emphasis his.

[21] *Id.*, "The Road to Better Times," *loc. cit.*, 16.

[22] W. G. Clugston, "The Flight from City Ownership," *Nation's Business*, XVI (March, 1928), 64.

If business instincts and historical evidence alike suggest that government functions must be kept political, an outstanding feature of government will be the primarily negative character of its activities. Implicit in President Barnes's standard of fair play, the concept of negative government is explicitly recognized and vigorously defended by Fay. Positive action can be nothing more than a secondary function: ". . . the primary use of government must be *negative;* or *protective* of life, liberty and property, against external or internal crime." [23]

"The Principle of Law," as enunciated by Fay, perfectly reflects the essential character of government's role: ". . . law must in general be *negative;* saying merely what shall *not* be done, in respecting the rights of others—but leaving to every citizen his liberty to do as he pleases, *up to the point forbidden.*" As a consequence, "the law must not *dictate* to any man what he *shall* do. It cannot, consistently with liberty, be *affirmative* or *compulsory.*" [24]

That the business theory of the functions of government should reach a climax in emphasizing the negative quality of those functions was adumbrated in its first basic proposition. If the "prime obligation" of government is to preserve the natural rewards of the superior, there can be little demand for positive government. Fair play can be maintained, primary functions fulfilled, dangerous secondary functions avoided, and natural economic processes left inviolate in no safer way than through an insistence that government functions be kept primarily negative.

If the theory as a whole points to any one principle of government functions, it would appear to be found in Fay's reply to those who misunderstand the role of government. "To use President Wilson's words (though not his ways) I too would 'make the world safe for democracy,' *but I should commence right here at home* where red and pink demagogy seriously threaten liberty. The very simple principle of Least Government, with its companion principle of Least Taxation, seems to me pretty nearly all that this country needs, if put in practice, to make it entirely safe for democracy." [25]

Relying upon this simple principle, there is one self-evident way to minimize discontent based upon inadequacies in government. It would be palpably foolish to strive for a decrease in dissatisfaction by

[23] Fay, *Business in Politics,* 96. Emphasis his.
[24] *Ibid.* Emphasis his.
[25] *Ibid.,* 47. Emphasis his.

adding new government functions or by making government more responsive to popular whim. "The simple and logical way to minimize American discontent with the shortcomings of American government most obviously is to minimize government itself." [26]

[26] *Ibid.*, 49.

[VIII]

Taxation: Reducing the Evil in Necessity

THE tendency of business spokesmen to refer to "government and taxation" in the same breath has indicated the unique significance of the taxing function. Since business organizations evince such an acute awareness of taxation as a preeminent factor in the nature of government, it appears to be the one function calculated to elucidate both the ends and means of government within the context of a specific problem.

Fay demonstrates the overriding importance of taxation by relying upon it as a test for the evaluation of all other government functions. Speaking of the secondary functions of government, described above as primarily state or local responsibilities, he could safely conclude that *"state and local-government function has already gone the limit,* because of the one revelation that politics cannot prevent,—*that of the tax-bills!"* [1] It is this revealing quality of taxation that lends it singular value for an illustration of governmental purposes in action.

Despite the tremendous importance attributed to the principles of "Least Government and Least Taxation," the business theory holds that taxation constitutes a potentially edifying influence at the mass level. Directed at those ordinarily exempted because of their low level of income, the taxing power could serve at least three highly laudable purposes: The promotion of the broad end of a stable order, the realization of economic justice, and the clarification of actual practice.

James A. Emery gives a modern twist to the stake-in-society theory to suggest the manner in which one beneficial potential of taxation may be realized. "I think it is an accepted axiom that taxation is a badge of citizenship," he submitted, "that no man is entitled to enjoy its advantages who does not contribute to the support of its

[1] Fay, *Business in Politics,* 84. Emphasis his.

existence, that however small the amount, he who makes a contribution to the support of government is an interested participant and student to at least some extent of the practical effect of the policy bearing upon. [*sic*]" [2]

To be deprived of that intimate relationship with one's government which is involved in the payment of taxes might appear on the surface to be a blessing; but to exempt any citizen from taxation is also to deprive him of the opportunity to develop political awareness. "As you remove man from the necessity of paying taxes, you remove any interest in the character of the tax policy adopted." [3] In a democracy even the meanest and the poorest cannot safely be forced to suffer from this disability.

In its earlier American formulation the stake-in-society theory had been used to combat the aggressive democratic demand for universal manhood suffrage. "It must always be a question of the highest moment," Justice Joseph Story prophetically pronounced in 1821, "how the property-holding part of the community may be sustained against the inroads of poverty and vice." [4] The justice was joined by a goodly company of Federalists and Whigs in the conclusion that this paramount question had been permanently settled through the device of a restricted suffrage with special representation for property.

Daniel Webster could but "entirely agree" with those "writers of greatest authority" who insisted "that as far as the object of society is the protection of something in which the members have unequal shares, it is just that the weight of each person, in the common councils, should bear a relation in proportion to his interest." Concentrated wealth and dispersed political power could never be combined, Webster concluded. "In such a case, the popular power must break in upon the rights of property, or else the influence of property must limit and control the exercise of popular power." [5]

It has been argued that the stake-in-society theory was killed as manhood suffrage was born, with Jacksonian Democracy in the dual role of executioner and midwife. Thus Arthur Schlesinger, Jr.,

[2] James A. Emery, "Address of Mr. James A. Emery," *Proceedings, N. A. M.* (1923), 292.

[3] *Ibid.*

[4] Reported in *Journal of Debates and Proceedings in the Convention of Delegates Chosen to Revise the Constitution of Massachusetts* (revised ed.; Boston, 1853), 285.

[5] *Ibid.*, 309, 311.

persuasively maintains that the stake-in-society theory could not survive in the face of universal suffrage because it would have demanded, logically, the advocacy of a redistribution of property in order to keep economic power commensurate with political power.[6]

But this argument underestimates the versatility and the plausibility of economic determinism, no less than the logical prowess of business leadership. Business spokesmen were competent to rejuvenate the stake-in-society theory, not only in connection with man's *summum bonum*,[7] but in direct application to the suffrage problem. The theory need be neither dropped nor interpreted as demanding a leveling of property. If the suffrage be no longer restricted to the tax-paying, property-holding element, the logical adaptation is found in Emery's proposal to extend, not wealth, but taxation.

This adaptation is enthusiastically supported by Fay. Conceding that no less an authority than Adam Smith had urged the exemption of the poor, he quickly explained that "in Adam Smith's day the man who paid no taxes had no vote; and could not join in electing the Parliament that laid taxes." Under these circumstances, "it was reasonable to exempt men, who had nothing to say about taxes, from the obligation to pay them." But changing circumstances demand new techniques, Fay asserted, and "*that* reason has now entirely disappeared, here and in many other countries. Universal suffrage has come in; and the men who lay our taxes are elected largely by the vote of those who pay, or think they pay, none at all, by reason of that old habit of exemption of the poor. *Is this not a rank injustice, and moreover a patent political blunder—this letting many million voters feel that taxation, whether wise or foolish, is no concern of theirs!*" [8]

One may still agree with Justice Story's formulation of the problem which "must always be . . . of the highest moment" to any community. Granted universal suffrage, "the property-holding part of the community" must simply find new means of sustenance "against the inroads of poverty and vice." The masses must be convinced that they, too, have a stake in society.

When approached on the lower level of payment for value received, the taxation of the poor remains an evident necessity. The

[6] See Arthur M. Schlesinger, Jr., *The Age of Jackson* (Boston, 1946), Chap. xxii.
[7] See pp. 56, 74, *supra*.
[8] Fay, *Business in Politics*, 146–47. Emphasis his.

generally accepted idea of basing taxation on ability to pay would exempt the man with no property and little income. "Nevertheless he gets, for himself and family, all the benefits of government, public service, etc., that those who pay taxes get; except perhaps that of protection of property, of which he has none." [9]

With no property to safeguard, the poor could ill complain about their exclusion from the benefits of this primary function of government. "Furthermore, as the rich can hardly constitute more than a tenth of the population," Fay could easily demonstrate that the masses must always preponderate as purely personal beneficiaries of government functions: "Certainly the main cost of national government, viz. the national defense, is the special concern of the poor; who in all history have had to do the fighting in the field for their country." [10]

In peace no less than in war, it is the poor who capitalize upon government expenditures. "As to cost of local government, most of the crime that calls for police is committed by men who have little or nothing. Such men fill most of our jails, asylums, and public hospitals; use most of our streets, water supply, etc.; cast most of our votes, and elect most of our officers of government. Their children fill most of our public schools and state universities. All this simply *because there are so many more of them* than the rich." [11]

In describing the ascendancy of the masses as beneficiaries of government, business was calling attention to one aspect of the phenomenon so sensitively portrayed by Ortega y Gasset as *The Revolt of the Masses:* "The multitude has suddenly become visible, installing itself in the preferential positions of society. Before, if it existed, it passed unnoticed, occupying the background of the social stage; now it has advanced to the footlights and is the principal character." [12]

Having moved from the background to the footlights politically, the mass man has not begun to pay for his conspicuous predominance as soldier, criminal, insane, infirm, utility consumer, and parent of the publicly educated. "But there is no reason in justice or common sense, why those who get the bulk of the benefit of government should not pay the bulk of its cost, in the shape of taxation;

[9] *Ibid.*, 142. [10] *Ibid.*
[11] *Ibid.*, 142–43. Emphasis his.
[12] José Ortega y Gasset, *The Revolt of the Masses* (New York, 1932), 8.

and, . . . by reason of its redistribution *they actually do pay it.*" [13]

Here the business theory has come to a crucial tenet in its approach to taxation. It has developed that the masses should be taxed, first, in order that they might enjoy some stake in society and, second, as a matter of simple justice because of their preemption of the chief benefits from government. Now it appears that the poor actually do bear the tax burden which is rightfully theirs.

Why do business spokesmen so zealously propose a program already realized? Why should they urge the imposition of taxes upon those who already so properly bear "the bulk" of the burden? The explanation goes back to the initial point, that taxation must teach a moral lesson to the poor. The disinterested character of the business theory is nowhere more apparent than here. The masses should be taxed, not merely because they are the chief beneficiaries of government expenditures, but also in order that they may appreciate the principles of "Least Government and Least Taxation." Such a lofty objective could not be satisfied by a self-interested and surreptitious passage of the burden to the poor.

The established pattern of mass taxation in the 1920's was so misrepresented by corrupt politicians as completely to lose the desired moral effect. Fay explained that "our taxation is so carefully camouflaged by our politicians (being laid as it is mainly on property, imports, profits and incomes, none of which directly concern the poor) *that the latter do not know*—and worse yet *do not care a rap—about taxation.*" [14] If the major necessity is that the poor must both "know" and "care" about taxation, such an indirect program will be deemed highly unsatisfactory.

Although it is the man of property who passes the burden on to the poor, it is the politician who is really to blame because he promotes the "corruption of government and excessive taxation" that are the true causal factors. Under this arrangement, the poor must "pay the major part of the tax-bills in the long run; *but they never know it,* and they never, though they constitute the vast majority of the voters, get busy to punish their robbers at the polls." [15]

The crying need, then, is to bring taxation into the open. "Neither they [the poor] nor the rest of us will ever stop tax-thievery, so long

[13] Fay, *Business in Politics,* 143. Emphasis his.
[14] *Ibid.* Emphasis his.
[15] *Ibid.* Emphasis his.

as *they* do not see it; *and they never will see it, so long as taxation is hidden*—that is, so long as it is laid primarily on property, imports, incomes, etc., which they have none of; and is only secondarily and gradually passed along on to themselves, buried in their rents, tailor bills, and general cost of living." [16]

With the inferior not only outnumbering but outvoting the superior, the human tendencies which Chancellor Kent had so darkly sketched could no longer be ignored. "There is a constant tendency in human society," he had lamented early in the nineteenth century, "in the poor to covet and to share the plunder of the rich; . . . in the majority to tyrannize over the minority . . . ; in the indolent and the profligate, to cast the whole burthens of society upon the industrious and the virtuous; and *there is a tendency in ambitious and wicked men, to inflame these combustible materials.*" [17] Tax policies must be designed to quench the flames ignited by politicians. If the only stake of the poor in good government is tax-induced, politicians must be foiled in their attempt to camouflage this stake.

As A. C. Bedford, Standard Oil executive, explained, "The great national danger today is economic ignorance. The masses of the people are beginning to think for themselves." And this entry of the masses into the nation's thought processes must be watched with the greatest care. "If they do not have the training to think intelligently, they will bring disaster upon all of us." [18]

Maximum safety cannot be found in the fact that the elite perceive the taxation of the poor; it can never be achieved "so long as *they* do not see it"—and they can only see that which is directly apparent. For the sake of a stable order, as well as that of "the industrious and virtuous," the weight of their tax burdens must be unmistakably felt by the poor.

Business spokesmen recognized that establishment of a tax system calculated to achieve the ends they held paramount would require a high order of statesmanship. The temptation to frame policy in the light of majority opinion, constantly besetting politicians in a democracy, must somehow be overcome. The report of its com-

[16] *Ibid.* Emphasis his.

[17] Quoted in *Reports of the Proceedings and Debates of the Convention of 1821, Assembled for the Purpose of Amending the Constitution of the State of New York* (Albany, 1821), 221.

[18] Bedford, "What Is a Captain of Industry?" *loc. cit.*, 27.

mittee on taxation very pointedly called this problem to the attention of the National Association of Manufacturers in 1922:

> Too much energy is spent by Congress in seeking taxes that are "popular" or that are the least "unpopular." It would be better from a financial and moral standpoint to disregard the question of "popularity." Land taxes, poll taxes, stamp taxes on checks and higher rates of postage would be legitimate and productive sources of revenue and they would have the immense moral value to the nation as a whole of keeping the attention of everybody fixed on the cost of government. The clamor for low or lower postage rates is in keeping with the growing tendency to rely on the Government as a Lady Bountiful.[19]

The mischievous effects of this tendency to respond to popular opinion on the question of taxation threatened, the committee concluded, to reach disastrous proportions. "Such agitation is tending to undermine the self-reliance of the individual and his sense of individual responsibility. This, in turn, saps the vigor of the nation." [20] How can the sturdy virtues of "self-reliance" and "individual responsibility" be inculcated when taxation is based solely on ability to pay? "If a man has nothing, if he manages, wastefully or otherwise, to spend all he earns, so as never to accumulate any taxable property, or possess any certain income," Fay submitted, it would follow from this "popular" approach that "he should pay nothing in taxation." [21]

Not only is the wastrel encouraged by his apparent exemption from taxation so long as Congress is unwilling to "disregard" the question of "popularity," but the level of government tends to sink even lower. The 1920 report of the National Association of Manufacturers' committee on taxation made this clear: ". . . in a popular government, any system of taxation proposed with a view of convincing the public at large that the tax burden imposed is paid by a limited few tends to demoralizing and extravagant expenditure on the part of government, the burden of which ultimately must fall upon all if the country is to be prosperous and business enterprise thrive." [22]

Probably the only type of taxation which could hope to meet the expectations of business was some form of sales tax. The National Association of Manufacturers came to this conclusion as early as

[19] "Report of the Committee on Taxation," *Proceedings, N. A. M.* (1922), 32.
[20] *Ibid.*
[21] Fay, *Business in Politics*, 142.
[22] "Report of the Committee on Taxation," *Proceedings, N. A. M.* (1920), 16.

1920. "We feel that possibly the solution of the present problem lies in a carefully devised gross sales tax," its committee on taxation reported. "Such a tax would admit of many variations. But it seems the most reasonable form would be a limited tax on turnovers of wares, goods and merchandise." [23]

Whatever its uncertainty as to the specific form that a sales tax might take, the National Association of Manufacturers was confident that its advantages would be overwhelming. "We believe this gross sales tax would be a just, certain and adequate source of revenue," the committee maintained. The additional advantages listed represent a refreshing contrast to the ruinous character of the established forms of taxation:

(1) It will be fairly distributed over a great mass and through the year so as to be scarcely noticeable.
(2) It will reach many who should pay taxes but who now escape them.
(3) It would be definite and easily ascertainable.
(4) It could be collected monthly or quarterly.
(5) Excess Profits Tax is unproductive during a depression; while the gross sales tax is certain at all times.
(6) Competition will automatically safeguard the consumer against tax profiteering.
(7) It would not be discriminatory; it would be fair to all businesses.
(8) It will tempt free capital now driven into non-taxable securities to liberal investment in productive industry.[24]

Who could resist such incomparable advantages as these? For a brief period in 1921 it appeared that the largest organization of businessmen in the country could not only resist but actively denounce the sales tax. Despite the high commendation of the National Association of Manufacturers, the Chamber of Commerce decided, at first glance, that all the advantages cited by its brother organization were outweighed by one fundamental defect: Such a highly regressive form of taxation would impose an unfair burden on the poor.

In January of 1921 a Chamber of Commerce committee on taxation reported that "a sales tax is not feasible." This conclusion was based upon a line of reasoning entirely foreign to the committee's counterpart in the National Association of Manufacturers: "The greatest inequity of a sales tax, as seen by the committee, is the fact

[23] *Ibid.*, 17. [24] *Ibid.*, 18–19.

that persons of low incomes would pay a much higher proportionate share of such taxes than would those with large incomes. At the bottom of the economic scale are persons whose income barely provides them with necessities, and at the other end are those whose expenditures for necessities represent but a fraction of their income. Thus there would be in the sales tax a departure from the principle that taxes should be levied in accordance with ability to pay." [25]

The sales tax would indeed represent a departure from the "principle" that taxation should be based upon "ability to pay"—this was precisely what it was designed to do. The point at issue was whether or not the principle should be abandoned, and the Chamber of Commerce soon discovered that to state the issue was not to solve it.

By September, 1921, *Nation's Business* was able to report, if not to explain, a change of heart on the part of the organization. A new article on "The Tax Program of Business" began with the announcement that "the Chamber of Commerce of the United States, in which more than 1,400 commercial and trade organizations hold membership, as a result of two referendum votes on the subject, has presented to Congress, now considering tax legislation, a program which it believes if adopted will obtain the funds needed with the least disturbance to trade and industry." But the program presented constituted a reversal of the viewpoint originally submitted by the committee and endorsed by the members of the organization. "These proposals call for repeal of the present excess profits and war excise taxes and substitution in so far as necessary of a general turnover tax on all business transactions." [26]

The Chamber had thus moved from diametric opposition to basic agreement with the tax policy of the National Association of Manufacturers. Despite the powerful nature of its earlier argument against the sales tax, the organization was convinced that the results of its later referendum were more valid. "In the first referendum there were a majority of votes in favor of excise taxes on some articles of wide use but not of first necessity. There were later suggestions that a number of organizations had erred in marking their ballots, with the result that they were recorded in favor when they were in fact

[25] Ben H. Lambe, "A Program of Taxation," *Nation's Business*, IX (January, 1921), 20.

[26] *Ibid.*, IX (September, 1921), 11.

opposed to such taxes," *Nation's Business* submitted. "In the second referendum there was no doubt of the result and it became evident that the members of the Chamber favor a sales tax and not excise taxes." [27]

The completeness with which the Chamber of Commerce had abandoned its initial position is most strikingly revealed in its ultimate endorsement of the sales tax as more desirable than higher corporate income taxes. Here the basic "principle" to which the Chamber had rallied, that "taxes should be levied in accordance with ability to pay," was directly at issue. On second thought, and in the face of a specific choice, the Chamber decided that the principle must go. "In voting for [the sales] tax the Chamber's members had an opportunity to vote for an increase in the income tax on corporations. The result of the balloting shows that they decisively preferred the general turnover tax. On the form that a sales tax should take there was a large majority for the tax on turnovers as against a retail sales tax, as there was a majority for a tax on all turnovers instead of a tax only on turnovers on goods, wares and merchandise." [28]

The Chamber of Commerce was thus brought into conformity with the National Association of Manufacturers on general principles. To the broad goal of a sales tax they were now equally dedicated. Differences were confined to temperate suggestions as to the specific form such a tax might take. To the National Association of Manufacturers it appeared that "the most reasonable form would be a limited tax on turnovers of wares, goods and merchandise," whereas the Chamber favored "a tax on all turnovers." But the more important fact of an underlying consensus was happily manifest in the National Association of Manufacturers' observation that "such a tax would admit of many variations." The Chamber of Commerce could accordingly report with accuracy that its program for a sales tax "was forwarded to Congress as expressing the nearest unanimous common viewpoint of business on the subject that it is possible to obtain." [29]

But what of the report of the Chamber's own committee that the "greatest inequity of a sales tax" lies in the fact that the poor "would pay a much higher proportionate share of such taxes"? In view of the unflagging opposition of business to class legislation and its equally unfaltering support of the common weal, such an argu-

[27] *Ibid.* [28] *Ibid.* [29] *Ibid.*

ment could not be permanently ignored. Just one month after its report of the Chamber's reversal, *Nation's Business* was prepared to offer an article which would allay any fears that American business had departed from its usual disinterested pursuit of the general welfare.

An editor's note prefaced the article with a firm reminder of the business position: "Sentiment among American business men is strongly in favor of a sales tax—that was made evident by the overwhelming vote in its favor on the referendum put out recently by the Chamber of Commerce of the United States." [30] Jules S. Bache, chosen to justify this strong sentiment, gave promise of an intention to come unequivocally to grips with the problem by conceding immediately that "one of the first questions one hears from anyone to whom the Sales Tax is proposed (from one who has not given the matter any thought) is, 'Does it not place the burden on the low-income man?'" [31]

Although hardly framed in a manner to reflect credit upon the committee that had first investigated the problem for the Chamber of Commerce, Bache's question did take cognizance of its objection. No businessman's conscience need trouble him because he had decided to recommend a tax that would unfairly burden the poor:

> First of all, it is not a burden. The tax is so small that nobody feels it. It is added to the price of things, and not collected from the purchaser as a tax, so that it is not a nuisance tax. . . .
>
> It is not a burden, because it removes the many times greater price burdens produced by taxes, and which the consumer is now bearing.
>
> It is not a burden, because the amount which would be added to the cost of things would be inconsiderable—not on the average over 3½ per cent.[32]

The sales tax could not possibly burden the poor unjustly, then, for the very simple reason that there would be no burden involved. But, having thus strongly denied that there was any "inequity" in the sales tax, Bache could not deny that the poor would contribute "a much higher proportionate share of such taxes." "The higher-income people would pay more under the Sales Tax than those of moderate means, because they spend more, but they would rarely, of course, pay as much in proportion. The income tax, however,

[30] Editor's note, *ibid.* (October, 1921), 16.
[31] Jules S. Bache, "Low Salaries and the Sales Tax," *ibid.*, 16. [32] *Ibid.*

would equalize that, and provide for payment in proportion to wealth." [33]

There was still sufficient respect for the principle of taxation according to ability to pay for Bache to point to the existence of the income tax, but to advocate dropping the excess profits tax in favor of a sales tax could hardly be defended in terms of that principle. What Bache had offered the Chamber of Commerce was the peculiar satisfaction to be found in the knowledge that, while it had presented a regressive tax program to Congress, its abandoned principle of progressive taxation was being followed elsewhere. The Chamber had been lured from its initial principle because of the irresistible appeal of a program which not only offered maximum advantages but would reduce the tax burden to an absolute minimum of zero.

Since the natural capacities of the elite are infinitely superior to those of the masses, the taxation of the few evokes quite a new set of problems. When business spokesmen turn from mass to elite taxation, the reason for their general insistence upon the principle of least taxation finally begins to be apparent. The basic assumptions which governed their approach to mass taxation, however, are still manifest. It is the difference in the character of the individuals to be taxed, not an inconsistency on fundamentals, that accounts for the shift in business policy.

From the point of view of individual character, there is available a perfect counterpart to the objective of discouraging waste among the masses. Just as government should punish extravagance by taxing mass expenditures, it should reward thrift by decreasing taxes on savings. "It is a *bad* principle to discourage thrift," and this is done, Fay submits, "by taxing away part of a man's savings, whether large or small." The development of distinctions based upon superior individual capacities should be facilitated, not sabotaged, by government tax policies. "It is an economic and political blunder, forcibly to take the savings of the thrifty, and use them to pay the just taxes of the wasteful." [34]

Established practices of elite, no less than of mass, taxation must accordingly be reformed if they are to lose their pernicious influence on individual character. The difficulty here is, in truth, the opposite side of the same counterfeit coin. Its false ring in this case is ex-

[33] *Ibid.*

[34] Fay, *Business in Politics*, 147. Emphasis his.

posed by Merryle S. Rukeyser: "Objectionable politicians have not only pretended to hate men of wealth, but through progressive income taxation have attempted to discourage the efficient and to subsidize the unsuccessful." [35] The truly efficient are not, of course, easily discouraged, but to inconvenience them is at least as foolish as to benefit the unsuccessful.

The ease with which the test of "fair play" may be applied is nowhere more evident than in connection with elite taxation. Indeed, in demonstrating the simplicity and validity of the test President Barnes turned for his first example to the problem of elite taxation. "It is not fair play," he explained, "for special sections of our people, numerically strong, to levy, through unequal and unwise taxation, and in a spirit of envy and resentment, an unfair burden, against those other groups more fortunate than themselves." [36]

A merely superficial consideration of the effects of this interpretation might lead to the conclusion that the business doctrine of fair play would place the masses in an untenable position. Since the excellence of the elite is measured by its economic success, the inferior majority is, by definition, without economic power. But it violates the fundamental doctrine of fair play for them to use the political power which they do enjoy by virtue of their sole attribute of superiority—numerical strength.

Such a hasty conclusion President Barnes and other business leaders would reject as completely unwarranted. The promotion of community well-being no less than of individual character is found to support the business application of fair play to taxation. It is actually not for the sake of the elite but for the community at large that the few should be lightly taxed.

It would be unfair for the "numerically strong" to determine tax policy precisely because, in their ignorance of sound tax principles, they would injure the entire community. "The range of employment opportunity is constantly widened with the establishment of new enterprises," President Barnes observes; "and taxation which destroys the human incentive of prospective earnings against the unusual hazards of new ventures, and which stifles the willingness to take the risks of new business ventures, is unwise as well as a violation of fundamental fair play." [37]

[35] Merryle S. Rukeyser, "What Wall Street Is Talking About," *Nation's Business*, XVIII (November, 1930), 151.

[36] Barnes, *The Genius of American Business*, 8. [37] *Ibid.*

This reasoning is well supported by Fay's assertion that "the prosperity and welfare of the whole community is based, first, last and all the time, upon the accumulation and wise use of savings or capital; which is always the work of the individual citizen, and has never in all history been that of government." [38] He who has an informed concern for the general welfare could not possibly support the idea that the ignorant should be permitted to levy burdens upon success:

> As for what each saves, and puts to work, . . . —though he is purely selfish, and saves for himself, not for the community—nevertheless, *the more there is of such working-capital*, rolled up but not enjoyed by him and thousands of his kind, to grow larger and larger in active production, *the better for us all! Let its ownership remain with those who saved it—for they will use it wisely.* But the real blessing of it, the support of great masses of men and women in honest and well paid toil; and the abundant output of the necessaries and luxuries of life—*that blessing goes to the people.*[39]

Since the capitalist directs the nation's resources with a wisdom that the many can never share, he must certainly be given the widest possible freedom from taxation. Heavy taxes upon the elite are more than a mere penalty imposed by the envious upon their betters—they are a burden upon the entire community and, therefore, upon the envious themselves.

The business orientation toward elite taxation thus issues in an objective completely different from that determining mass tax policy. Whereas mass taxation must be designed to produce an elevating effect upon the *masses*, elite taxation may be designed to produce an elevating effect upon the *community*. Already enjoying a natural stake in society by virtue of their wealth, the few need not be included among the objects of an attempt artificially to create such a stake through taxation. The chief concern here must be with the possibility that, if they are too heavily taxed, the few may be discouraged in the exercise of their superior capacities.

It should not be surprising, then, that while the merely apparent exemption of the masses was condemned, the existence of a genuine tax loophole for the elite could be defended. In 1922 the National Association of Manufacturers' committee on taxation sounded a warning that the most important loophole of this kind might be

[38] Fay, *Business in Politics*, 147. [39] *Ibid.*, 149. Emphasis his.

closed. "A proposed constitutional amendment of grave importance is now pending," the committee reported. "It seeks to bring under the taxing power of the Federal Government the income of State, county, and municipal bonds which hitherto have been exempt. Though the late Senator Penrose of Pennsylvania predicted that such an amendment would never receive the approval of the States, its Congressional backing is so strong and the scrutiny of State legislatures with respect to recent constitutional amendments has been so notoriously superficial that the present proposal should not remain unnoticed." [40]

The committee found that supporters of the amendment directly challenged the idea that an exemption of capital was desirable. "The argument for the pending constitutional amendment is that to escape the present heavy income taxes capital is running to cover and seeking investment in non-taxable securities instead of being productively employed in industry." The surface logic of the indictment the committee readily conceded, but it was not convinced that the real problem could be so simply described. "This argument may be styled as 'fetching' and calculated to appeal to those of us who are engaged in industry. But what are the other facts behind the proposal? What lies at the bottom of the situation?" [41]

The basic difference was shown by the committee to lie in the question of whether private power should be subject to the control of Congress or whether Congress should be subject to the control of private power. As a general rule the answer would be that the greater power should be vested in Congress. But the choice in this particular case was between political power as focused in Congress and economic power as focused in capital. In view of the established superiority of business as a societal institution, the business theory could but conclude that capital should be given the advantage.

> Aside from the impropriety in permitting the Federal Government [to] invade the sovereignty of the several states, is it not to our great advantage that we have a safety-valve, now in good working order, which Congress sees in operation every day, whereby capital when oppressed by Congressional action in imposing excessive taxation on industry may seek refuge in non-taxable securities? To our way of thinking it is of inestimable advantage to industry, as a reminder to and a restraint on

[40] "Report of the Committee on Taxation," *Proceedings*, N. A. M. (1922), 32.
[41] *Ibid.*

Congress, that capital has a means of escape when burdened too heavily by Federal taxation. The spill-way through which capital flees when overburdened by congressional impositions saves us from things worse. It is the most cogent restraint on Congress and the most forceful influence for governmental economy that remains in our hands. That we should relinquish it would be folly.[42]

The institution of capital, no less than the presidency and the judiciary, may be regarded as a legitimate check upon Congress. Just as Congress enjoys the advantage over the President and the Supreme Court in some respects, it enjoys the power to control business in many ways. But it is equally important to the system of checks and balances that the pattern of control be kept reciprocal. The President, the Supreme Court, and business must be able to apply "restraint on Congress" as well. And if business is of greater value to society than the entire institution of government, it is entirely appropriate that "the most cogent restraint on Congress" should be exercised, not by one of the other branches of government itself, but by capital.

Not only would it be "folly" to eliminate capital's "safety-valve" because of the need for an independent, private check on Congress, but it would also be a mistake because of the manifest convenience to business of having available securities that are, by virtue of their tax-free character, both readily marketable and of stable value. These rather anticlimactic reasons were advanced before the National Association of Manufacturers by Captain William P. White, a member of the committee on taxation. "Now the argument is that Mr. Schiff, the great banker who recently died, possessed of about $25,000,000 of these non-taxable securities, therefore escaped taxation," Captain White noted, "but Mr. Schiff as a banker needed securities that could be converted readily into cash without loss, and we must bear that in mind when we would advocate such taxation." [43] The tax-free sum of $25,000,000 is of first importance because of its elevating effect upon Congress, but it is also a convenient solution to the need for ready cash.

A more appropriate climax to the business theory of taxation was offered by the president of the National Association of Manufacturers in 1926. President Edgerton returns to a consideration of the

[42] *Ibid.*, 32–33.
[43] William P. White, quoted in *Proceedings, N. A. M.* (1922), 35.

needs of the masses and, by that very route, underlines the principle of "Least Taxation" as applied to the elite.

In our opinion, the next reduction should be in the corporation tax, and to this end we shall diligently labor. Our success will be in proportion to the extent to which the political powers may be persuaded by reason that there is no better way to help the masses than by stimulating industry and business, and there is no better way of stimulating industry and business now than by reducing their corporate tax burdens. Such energies also as we may appropriately and helpfully apply will be directed towards corporate relief from excessive taxes imposed by state and local governments. The opportunities for service in these fields are almost illimitable in both their magnitude and importance.[44]

Here a twofold business program for the uplift of the masses through a well-conceived tax policy emerges in final form. It calls with equal clarity for an increase of taxes on the masses and a decrease of taxes on the elite. It will soon appear that other types of government aid for the masses have a pernicious effect, but this program, in fitting both human nature and economic determinism, may safely be pursued with "almost illimitable" benefit to all.

[44] Edgerton, "Address by President Edgerton," *Proceedings*, N. A. M. (1926), 330.

[IX]

How to Regulate Whom

THE business analysis of the broad ends and means of government revealed, in addition to an essential core of primary functions designed to protect property, certain secondary functions designed to promote the public welfare. To the National Association of Manufacturers and the Chamber of Commerce the expansion of these secondary activities, always a questionable practice, represented such a dangerous trend in the 1920's that it demanded the most careful scrutiny. And to their leaders it was easily demonstrable that the gravity of this threat was in large part a product of unsound adventures in regulation and promotion.[1]

The fundamental importance of maintaining sound relations between government and citizen, as well as the alarming extent to which such relations had been violated by the development of regulatory and promotional functions, was illuminated for the benefit of the National Association of Manufacturers in 1923. "Until government in America is forced back by public sentiment into constitutional channels, ceasing its exercise of alien functions in the fields of paternalism and socialism, and until intelligent economics in its operation are courageously effected by a new order of statesmanship," President Edgerton lamented, "there cannot and will not be any just relief from excessive taxation and other evils which afflict us." [2]

Here, then, is the real disease of which unwise taxation was found to be such a disturbing symptom. "This is the one outstanding, big task, the real major problem in America today," the National Association of Manufacturers was categorically informed. "And it is

[1] Promotional functions are the subject of Chapter x, but the following section on general relations offers the background for an understanding of the promotional as well as the regulatory type of secondary activity.

[2] Edgerton, "President Edgerton's Annual Address," *Proceedings*, N. A. M. (1923), 108.

the maternal ancestor of most of the other problems with which we are wrestling." With the hope of eradicating almost every evil in American government pinned to the effort, President Edgerton was properly impressed with the fact that American business could address itself to no more important problem than the delineation of the true functions of government: "The condition precedent to its solution is an enlightened understanding of the proper functions of a republican form of government as distinguished from an impossible democracy, and a sufficient amount of honesty and courage in public life to apply what is understood." [3]

Woodrow Wilson had so popularized the notion that the achievement of "an impossible democracy" was America's real goal that a return to the functional relations of a "republican" form of government would be difficult at best.[4] President Barnes of the Chamber of Commerce was convinced, however, that this could be achieved in the most important area of all, that of government-business relations. "The individual welfare of all the people is wrapped up today as never before in a proper understanding and proper relationship between government and business," he maintained. The dangers President Edgerton had pointed to were nowhere more evident than in this field. "But we know that sooner or later we will have such team-play between government and business as to bridge the obstacles to trade," President Barnes optimistically averred, "that business conviction expressed without color or self-interest will be listened to and respected, that government, entrusted with the welfare of its people, will realize that it must profoundly study and observe economic law." [5]

President Barnes thus offered not only the hope of a sound relationship, but a formula for its realization. Where business expresses itself "without color or self-interest," government need only respond and the proper relationship will be automatically established. "Government must learn that business conviction, matured after careful study, observation and experience, must be respected in policies of government." [6]

Despite the continuous threat of paternalistic tendencies, there were enough true statesmen in the 1920's to lend substance to Presi-

[3] *Ibid.*, 108–109.

[4] See Charles A. Beard's *The Republic* (New York, 1943) on Wilson's role in establishing *democracy* as the word most descriptive of the American ideal.

[5] Barnes, "The Road to Better Times," *loc. cit.*, 114. [6] *Ibid.*

dent Barnes's hopes. This fact was manifest in the pride taken by Richard F. Grant, president of the Chamber of Commerce in 1925, in calling the attention of the Chamber's annual convention to two such statesmen, Senator Reed Smoot and President Calvin Coolidge. President Grant's pride is certainly understandable in view of the fact that he was able to quote Senator Smoot, chairman of the Senate Finance Committee and subsequently to be identified with the tariff of 1929, as having said: "It gives me pleasure to advise you that I consider the work of the United States Chamber of Commerce worthy of support from all sections of the United States. Their labor and investigations are national in scope. Many times I have learned through the Chamber the sentiment of the people of the United States regarding great questions affecting the business of the country." [7]

President Coolidge was quoted as having put the case more briefly: "I have been greatly pleased to observe the many evidences which come here, indicating that the attitude of the Chamber of Commerce very accurately reflects that of public opinion generally." [8] If the proper relation is one of stimulus and response, with business furnishing the stimuli and government the responses, enough statesmen of the stature of Senator Smoot and President Coolidge could ensure its realization.

A somewhat different relationship was envisaged for groups less obviously dedicated to the public interest than business. "Governments dominated by political groups frankly devoted to the interests of minor sections of their people convey no promise to us of broad, sound national policies," President Barnes explained.[9] The simple stimulus-response relationship proper for business and government would be highly inappropriate, then, for any partisan interest.

Perhaps the most articulate, and certainly the most dangerous, of the groups pursuing the interest of a "minor section" in the 1920's was organized labor. This particular group, it will be remembered, was not included in the evaluation of the basic institutions of society. That this omission was not unadvised will soon become clear. Labor organizations as such are not legitimate societal institutions: "Labour parties permanently in politics speak to us of the acceptance of rigid-caste social structure, which implies a closed door to oppor-

[7] Richard F. Grant, "Put All the Cards on the Table," *Nation's Business*, XIII (June, 1925), 15.

[8] *Ibid.*

[9] Barnes, *The Genius of American Business*, 30.

tunity and advancement and violates a fundamental tenet of our own social convictions." [10]

In deference to the "philosophy of fair play" business will be forced to rule out the possibility of government response to the demands of labor spokesmen. It is in this light that the lament of William McCarroll, one of the oldest leaders of the National Association of Manufacturers, must be understood. "It is a shame that in the halls of Congress and in other halls of legislation throughout the country there are men who for their own personal political objects cringe to the pressure put upon them by leaders of the labor unions." [11]

The difference in the general relationship with government to be sought for business and labor may be most easily illustrated by comparing the roles of the departments of Commerce and Labor. The 1922 convention of the National Association of Manufacturers heartily approved Secretary Hoover's commentary on the role of his department. After discussing the services offered to business by the Commerce Department and the help of the National Association of Manufacturers in their development, the popular secretary added: "Now all of these services are purely voluntary relationships with industry and commerce. There is no regulatory function in the Department of Commerce, minus a few inconsequential matters in connection with the safety of human life, and it is my feeling that in order that this Department shall be of the greatest service to commerce and industry, it should be maintained on a non-regulatory basis (applause), that its whole relationship should be one of cooperation with our business public. . . ." [12]

Exclusive of those "few inconsequential matters in connection with the safety of human life," the Department of Commerce must be viewed as a purely service agency for "our business public." The role of the Department of Labor, on the other hand, could not be so simple or exclusive. After the National Association of Manufacturers had heard Secretary Hoover on the functions of his department, President Edgerton suggested a broader relationship for the Department of Labor. In describing a visit with Secretary James J. Davis,

[10] *Ibid.*

[11] William McCarroll, "Remarks of Mr. William McCarroll," *Proceedings, N. A. M.* (1920), 47.

[12] Herbert Hoover, "Address of Honorable Herbert Hoover," *Proceedings, N. A. M.* (1922), 239.

he said: "We had a very delightful interview of about an hour. I recall that we told him that we were delighted to find that that position was filled by a man who seemed to feel that the Secretary of Labor was as much the representative of the manufacturers of the nation as of any other group of our citizenship, and that we wanted to assure him that the National Association of Manufacturers stood ready at all times to cooperate with him in every practicable way in the important work that it was his to do." [13]

With these divergent points of view established, the business evaluation of specific regulatory and promotional functions may be more readily appreciated.

In company with the general ideal of government-citizen relations, even the most widely accepted forms of government regulation could enjoy nothing better than an extremely awkward position if applied to business. While the dogma of business superiority always militated against the acceptance of regulation, business spokesmen were willing to recognize its necessity in certain peculiar cases. Both business' willingness to depart from dogma and the reluctance with which that was done are apparent in the prophecy of Merle Thorpe: "The biggest problem ahead of America is to reconcile the regulation or control by our Government of our public utilities, with the advantages and advances which we properly associate with private ownership, individual initiative and the profit motive." [14]

Concurring in President Edgerton's conclusion that the major task of America as a whole was that of curbing paternalistic and socialistic tendencies, Thorpe simply applies that view to business in particular. Even in those areas where public regulation was too well established to be attacked frontally, business could still point to the dangers inherent in government controls as such. "No phrase is easier to say than 'private ownership under public regulation,'" Thorpe noted. "But every time we increase government regulation we are in danger of decreasing the benefits we can get from private ownership." [15]

The inescapable character of this danger is evinced by the fact that it is found in the oldest and most respectable of all federal regulatory activities. Its forty-three years of seniority did not lend

[13] John E. Edgerton, quoted in *Proceedings, N. A. M.* (1922), 301.
[14] Merle Thorpe, "As the Business World Wags," *Nation's Business*, XVIII (September, 1930), 14.
[15] *Ibid.*

the Interstate Commerce Commission immunity from Thorpe's critical analysis: "Take the railroads. We have a government fixing of the price of their chief commodity, freight rates. Perhaps the advantages of that rate regulation are far greater than the disadvantages, but are there no disadvantages? If we strait-jacket business by government regulation we shall not do it without sacrifice to the virility of the industry."

The task of balancing these advantages and disadvantages in the public utility field was as perplexing as any the business leader had to face. "In economics as in all things else, we want to eat our cake and have it, too. We feel that some measure of government regulation of our utilities is needful," Thorpe honestly admitted, "but we don't want to bring them down to a single pattern of drab uniformity." [16]

How achieve the "needful" regulation without producing the "drab uniformity" that destroys enterprise? President Barnes addressed himself to this question with inspirational results. Readily conceding that regulation was necessary, he added, "This does not mean that the transportation question can be approached by unwise and over-rigid control which destroys earnings, and, therefore, credit, and only continues the present lamentable condition of unexpanded transportation." [17]

Perhaps it is possible, after all, to eat one's cake and have it too. "The new facility, the motor truck, lends itself peculiarly to American ideals of a solution by free competition, rather than by regulation. The motor road is open. The shuttle is flexible. It responds to the bidding of demand, and is easily diverted to other routes and other service when there is a shrinkage of tonnage. It is an ideal American measure of transportation." [18]

President Barnes considered it extremely significant that the trucking industry had developed prodigiously in response to free competition while the railroads were languishing under government regulation. "Now, if this comparison is right," he concluded, "doesn't it give the same misgivings as to the value of rigid regulation, over-regulation? Doesn't it rather suggest that the method of securing the continued development of the high standard of living of America lies in facilitating those processes which respond to individual initia-

[16] *Ibid.*
[17] Barnes, *The Genius of American Business*, 88–89.
[18] *Ibid.*, 90.

tive, to the flexibility of the natural laws and the processes of trade, rather than through legislation?" [19]

The necessary regulation of railroads can be effected in the American way, then, by relying upon the competition offered by the new trucking industry as an "ideal American measure of transportation." Under these happy circumstances, any remaining regulation of a governmental sort must be extremely lax. "When we put in the hands of a public body the control of rates over a territory as vast as ours and touching the intricate processes of the most highly developed industrial organism that history has ever seen, does it not require that that regulation shall be administered with great wisdom and the utmost liberality?" [20]

Added force is given to President Barnes's plea for a policy of "utmost liberality" toward the railroads by an editorial in *American Industries* which approaches the problem from a moral point of view. "The railroads have been properly chastised; spanked, so to speak. It is quite likely they will behave themselves better in the future, for the punishment period has lasted for ten years or more and the spanking has been severe." [21]

Having once abused their power and suffered the consequences, the railroads may be assumed to have learned their lesson: ". . . isn't it about time the pendulum began to swing the other way? Many think so, and have been slowly coming to the opinion that the time is ripe, right here and now, to give the pendulum a good hard shove over the other way." [22]

The inarticulate premise behind this argument appears to be that there was no causal factor in our transportation or economic system which produced the difficulties demanding regulation. If regulation is "spanking," the problem must be viewed as moral rather than economic; and, unless the punishment were inspired by unmitigated malice, it must have been designed to lead the erring railroads back to morally acceptable behavior. Its conviction that the experiment in government operation during World War I had been a failure further proved to business leadership that the railroads should be given another chance to demonstrate their reformed character. "After the failure which the country has just witnessed in government opera-

[19] *Ibid.*, 93. [20] *Ibid.*

[21] "The Abolition of Railroad Regulation," *American Industries*, XX (February, 1920), 9.

[22] *Ibid.*

tion, where efficiency and logical service have died together under the killing hand of political control, cannot the consent of Congress be secured to the solution of the railroad problems of the future on broad business lines unhampered by vicious regulations, till such time as they again prove their unworthiness to be trusted? It will be time enough then to clamp down the screws of regulation.

"But in the meantime, the United States would have efficient railroads and railroad service." [23]

In the one area—public utilities—where some government regulation may be tolerated, one may safely conclude that the business theory will still not give it unqualified endorsement. There is constant danger that the disadvantages may outweigh the advantages, so that such regulation as is permitted must be applied with a maximum of liberality or, if possible, by other private enterprises. And as soon as the wayward utility has been chastised, it may again be trusted with the power that first made regulation necessary.

Whereas public regulation is viewed with alarm in the exceptional case of public utilities, it is positive anathema in the typical business situation. At least four basic reasons for a complete rejection of government regulation are available in the business theory. Any one of these would, of itself, constitute sufficient reason to abjure regulation; taken together, they demand its complete and unalterable condemnation.

In the first place, natural economic forces already achieve the purposes of regulation in a superb, if highly complicated, fashion. George E. Roberts, vice-president of the National City Bank, prepared to support this point with the tolerant observation that the "clamor for official regulation of business is due in large part to a lack of understanding of the effectiveness of the natural economic forces." For those competent to understand, these natural forces will obviate any concern about the public welfare in an unregulated economy. "There are few lines of business in which these forces are not amply sufficient to protect the public. In normal times there are but few instances of unusual profits where competition does not quickly result, or other corrective influences come into play." [24]

Since these advantages are produced naturally, the system must

[23] *Ibid.*

[24] George E. Roberts, "The Illusion of Federal Commissions," *Nation's Business*, XII (January, 1924), 42.

be protected against the injection of any artificial element. "The interference of government officials where natural forces are likely to be effective in due course," Roberts warns, "often has the effect of nullifying these influences and of throwing the situation into greater confusion." [25]

Why run the risk of confusion when the system will normally operate so smoothly under its own power? "The modern business organization is a highly developed system of voluntary cooperation." And despite the complexity of the mechanism, it operates with beautiful precision: "The workers are distributed in the industries, and production is directed automatically, by the natural movement of prices. If the production of any commodity is in excess of demand, the price naturally falls and industry shifts to other lines of effort."

There is simply no legitimate function for government regulation to serve once these facts are grasped. "If government officials were all-wise, the best they could do would be to adapt production to demand—and that is what free-play of prices actually does." [26] It is indeed charitable to explain the desire to regulate business in terms of economic illiteracy.

Charles N. Fay admirably supports Roberts on this point by directly applying his argument to the "big business" so often denounced as inimical to the public interest. "The most weighty reason of all [against government regulation] is," in Fay's view, "that *big* business (which is the special target of collectivist attack) *cannot possibly grow big, unless it serves the community better than ever before*, and at very small profit,—*usually the smallest profit possible*." Here is an arrangement which leaves no room for improvement. "Consequently, there is nothing to gain, but on the contrary much to lose, by throwing a governmental monkey-wrench into the complex, powerful, high-speed machinery of trade; whose smooth control alone makes it possible to give that maximum service, at minimum cost, which alone *creates* big business." [27]

To regulate even big business in the public interest is thus as dangerous as it is absurd: "If business grows so big that it challenges the jealousy of the collectivist, its very size proves *that it has already voluntarily done for the public*, especially the workingfolk, *precisely*

[25] *Ibid.* [26] *Ibid.*

[27] Fay, *Business in Politics*, 105. Emphasis his.

what collectivist government would force it to do! 'Regulation' could not possibly do more; but would be pretty sure to do less." [28]

A second reason for the condemnation of public regulation is that the politician, responsible to public opinion, is too incompetent to be trusted at the controls of the "complex, powerful, high-speed machinery of trade." Roberts was convinced that the appeal of the regulationist was both "plausible and insinuating" because of the false claim that regulation could be designed in such a way as to respect the intricate character of our economic structure. Regulatory agencies are supposed to be "as strictly as possible of a judicial character," with the sole purpose of maintaining "just and equitable relations between the privately owned agencies and the public whom they serve." [29]

In the abstract, then, any government agency impinging upon business is presumed to be sufficiently independent and expert to recognize both its own limitations and the strength of natural forces. "Theoretically these bodies are supposed to have information not available to the general public," Roberts noted, "to know the authentic facts, and not only to act without prejudice or favor but to inform the public and correct the misrepresentations which so often influence public opinion." [30]

In point of fact, however, no government agency can be expected to achieve such genuine independence from public opinion. "Experience has demonstrated how difficult it is for these politically created bodies to maintain this position." The nature of popular government is such as to encourage officeholders to respect public opinion more than economic realities. Despite the claim to independence, Roberts submits the ominous fact that "it is commonly the case that the persons named for membership on public commissions have been more or less active in politics, and are looking to political advancement." This political ambition makes a genuine disregard for popular fancy, despite the plausibility of the theory, virtually impossible to attain. "Too often . . . their findings, if opposed to the popular view, are overwhelmed by a storm of protest and clamor; and it is exceedingly difficult for public officials to withstand the pressure of public criticism." [31]

Developed in terms of the superior capacities of the elite, the

[28] *Ibid.*
[29] Roberts, "The Illusion of Federal Commissions," *loc. cit.*, 42.
[30] *Ibid.*
[31] *Ibid.*

direction of business affairs requires an *expertise* that no politician could be expected to enjoy, even if he could escape the influence of public opinion. At the 1922 convention of the National Association of Manufacturers Dr. Gus W. Dyer found a particularly happy analogy to depict the inadequacies of the politician for so exacting a task. "My friends, it is all right for the government to regulate business in the same way that it regulates medicine and regulates dentistry," he began. But, he added,

> it would be a very foolish policy for the government to appoint a board like the Labor Board, composed of three men to represent the doctors, three men to represent the public and three men to represent the undertakers (laughter) to determine just how doctors should prescribe and how a surgical operation should be performed. . . . Perhaps when the hearse drivers get a little better organized we may do that. (Laughter.) Now why is that ridiculous? We know that medicine means highly specialized skill, and politicians, of course, know nothing about it, and labor knows nothing about it.[32]

Why should it be any less ridiculous to picture the politician wielding a production chart than a scalpel? "My friends, business likewise represents a highly specialized skill," Dr. Dyer insisted. "Why, the man who can direct business is a great expert; and for a political board, composed largely of lawyers who do not pretend to know anything about business at all, to come in as co-directors with this highly specialized expert and tell him what he shall do seems to me just as ridiculous as for a board of laymen to come in and dictate to a doctor what he shall do in the process of performing a surgical operation." [33]

With the expert nature of business operations thus added to the popular responsibility of the politician, the results of government control can be nothing short of ruinous. W. G. Clugston fused both these aspects of the second business argument against regulation with telling effect. "It would be more logical to expect a butcher to go into an operating room and perform a successful surgical operation than to expect the average politician to go into offices of a big business concern and operate it successfully and economically." And the influence of the voting public simply makes a bad situation worse. "It would be easier for the taxpayers to pick butchers capable of performing delicate operations than to pick popular orators

[32] Dyer, "Government and Business," *loc. cit.*, 135. [33] *Ibid.*

and handshakers who could manage an ice plant or a power house and make it profitable." [84]

A third basic argument against regulation is that it constitutes a class measure which, in a country unified by the harmony of interests and dedicated to the concept of fair play, could but have a degenerative influence. Fay ringingly called this argument to the attention of American business: "Can you not impart the simple truth, that 'regulation' is and must be invariably a *class-proposition*; to benefit some citizens at the expense of others; *and that class-propositions are odious in a free country?*" [85]

It has already become clear that regulation could not possibly achieve the legitimate purpose of promoting the public interest. Now it must be added that it even fails to achieve the illegitimate purpose of promoting the interest of one class at the expense of another. In Fay's incomparable words:

> Can you not convey to their [the voters'] minds the *meaning of things they themselves can see perfectly well*; for instance, that the Sherman Act and the Clayton Act, . . . and all the prosecutions and dissolutions of great corporations under those acts, have *never, so far as their own pockets tell the story*, increased the abundance, or cheapened the cost by so much as a single cent, of beef, or oil, or steel, or milk, or coal, or clothing, or any other product that makes multimillionaires? Nor have any of those millionaires been beggared, or has their wealth been divided amongst us all, by virtue of government action. Can you not wake the voters up to the fact, that they are no better off, and the millionaires no worse off, after all the fuss and feathers that have flown? But that meantime there has been a constant stench hanging about every contact of government with trade. . . .[86]

It is the "constant stench" pervading government contacts with business that offers the ultimate evidence of the degenerative influence of class legislation. "Finally, and far most important of all," Fay concludes, "can you not drive home to the conviction of the American voter, that state regulation of great industries necessarily involves the strongest temptation to bribery of the regulators by the regulated: inevitably followed by that corruption which is the worst misfortune of free government?" [87]

If regulation, as class legislation, must inevitably issue in bribery

[84] Clugston, "The Flight from City Ownership," *loc. cit.*, 64.
[85] Fay, *Business in Politics*, 108. Emphasis his.
[86] *Ibid.* Emphasis his.
[87] *Ibid.*, 109.

and corruption it will surely destroy all faith in government. The fact that "the regulated" are viewed as potential partners in crime may appear to constitute a reflection on the superior qualities of the elite. In truth, however, it simply constitutes more damning evidence against the regulation which makes bribery necessary if business is to perform its essential functions without interference. The elite occupies the neutral, middle part of this unhappy process; it is the class legislation producing the bribes—and those who accept them—that must be condemned.

The final argument marshaled against government regulation was that it would violate the constitutional rights essential to individual freedom. In 1928 Merryle S. Rukeyser reported through his financial column in *Nation's Business* that "in the newer paternalism, which some of the political scientists have been advocating in the present Congress, the National constituency would be sheltered from the pitfalls of security speculation." The stimulus behind these paternalistic proposals Rukeyser easily identified: "The recent rise of Wall Street brokers' loans to an unprecedented height was the point of departure for the legislative reformers who are out to prevent the lambs from being sheared." [38]

Through what process could the government protect the "lambs" from the stock manipulator's shears? "Perhaps ultimately they will set up in the capital an all-knowing bureau which will be able to inform the electorate which stocks are good 'buys' at prevailing levels and which are inflated," Rukeyser speculated. "In the process, the greed and gullibility of the amateur trader may be legislated out of existence." In the meantime, more modest, although not necessarily more desirable, proposals were being heard in Congress to the effect "that the Federal Reserve authorities should restrict brokers' loans, and . . . limit the amount member banks could lend in Wall Street" in order to "usher in the millennium of financial stability. . . ." [39]

Rukeyser's chief objection to these proposals stemmed directly from his concern for the inalienable rights of the individual. "Apart from the technical criticisms of these proposals," he asserted, "they are objectionable because they would radically interfere with the

[38] Merryle S. Rukeyser, "What the World of Finance Talks Of," *Nation's Business*, XVI (March, 1928), 108.
[39] *Ibid.*

constitutional right of the citizen to lose his money if he so desires." [40] Because one's "greed and gullibility" may occasionally render the fruits of his freedom unpleasant is no reason to diminish that freedom.

Freedom includes the possibility of unpleasantness for the inferior no less than of rewards for the superior. And to take the first step away from a free economy is to march straight into totalitarianism. George E. Roberts poses the alternatives neatly: "The only alternative to the free-play of prices as the regulator of production is the system that was tried in Russia, of having the Government take complete charge of industry, determine how much of everything shall be produced, how much each person shall have as his share, assign every man to his job, and station soldiers to see that the orders are carried out." [41] If no middle course is possible, the constitutional rights of the lamb must include even the freedom to be sheared.

The attack on government regulation is thus much more direct and vigorous when the fate of business at large is at stake than it is in connection with public utilities alone. The pernicious influence of regulation may be exposed from any one of four points of view: It is wholly unnecessary because business is already doing the job that regulation would vainly try to impose; it is unadvised because business is too expert a field for the clumsiness of politically responsible politicians; its class character would produce corruption in government; and it would eventually end in a completely regimented state.

That the business theory does not involve a doctrinaire laissez-faire approach to government regulation is apparent the moment it shifts its attention to labor. The basic position of business leaders on this facet of the problem may be put quite simply: "*It is within the power and it is the business of the public to protect itself* by legislation against the policies of organized labor." Nor is the explanation of this strikingly different viewpoint hard to find. Whereas business represents the most valuable of all societal institutions, labor organizations represent one of the greatest threats to society. What, after all, is the purpose of labor unions? " '*Labor' is organized to hold up the public*—not merely an employer here or there—and is as pitiless of public suffering as it is defiant of private right. . . ." [42]

[40] *Ibid.* [41] Roberts, "The Illusion of Federal Commissions," *loc. cit.*, 46.
[42] Fay, *Business in Politics*, 38, 118. Emphasis his.

Unless these fundamentals are understood, it may appear inconsistent of business to recommend the application of stringent regulatory measures to labor. At the outset, then, it must be emphasized that labor stands for the "socialistic principles of fixing wages by compulsion," that "the strike is the one essential weapon" to this end, and that "the efficiency of the strike depends upon the maintenance of the closed shop." [43]

The logic of business spokesmen calls, not for a dogmatic rejection of government regulation per se, but for a defense of American principles through whatever techniques are demanded. "There is no sentiment connected with the closed shop policy," Dr. Dyer explains. "It is simply a necessary means to make the strike effective. You can hardly conceive of a more un-American, a more anti-American institution than the closed shop. It is really very remarkable that it is allowed to exist by the sanction of law under the American flag. It tramples under foot the most sacred rights and privileges of the American citizen and sets itself openly and defiantly against that freedom for which the Anglo-Saxon has been struggling and fighting for centuries." [44] With the gravity of the union threat so clearly exposed, even government regulation cannot constitute too reprehensible a weapon if it offers any hope of parrying labor's attack upon American freedom.

The wave of strikes following World War I offered immediate and painful evidence of the validity of this general interpretation. In 1920 President Mason of the National Association of Manufacturers pointed out that "the steel strike, the coal strike and the recent railroad strike have shown the length to which organized labor will go in an attempt to accomplish its ends." Members of the National Association of Manufacturers, he exhorted, "should pledge our continued and best efforts to make such un-American conspiracies impossible." [45]

The "best efforts" of the National Association of Manufacturers in this case would call for no small amount of government regulation. "I believe we should advocate the adoption of new and emphatic federal legislation," President Mason submitted, "severely penalizing such attempts and offences and the full and impartial

[43] Dyer, "The Open Shop and Democracy," *loc. cit.*, 330. [44] *Ibid.*, 330–31.
[45] Stephen C. Mason, "President's Annual Address," *Proceedings*, N. A. M. (1920), 111, 112.

enforcement of any existing law adequate to meet such emergencies." For any who might have misinterpreted his as a class recommendation, President Mason explained that it was the labor leaders, not he, who were ignoring the harmony of interests by an unprincipled pursuit of class advantage. "When under the guise of obtaining alleged justice for its members as a class, organizational labor leaders coerce and intimidate American citizens from exercising their inherent and constitutional right to the free and unrestricted pursuit of life, liberty and happiness, such an organization ceases to be of benefit either to its own members or to the country in which it exists, and becomes merely a selfish force, attempting, through an improperly assumed power, to inflict its will on the people of the country at public and private expense." [46]

Such class consciousness could have no place in America. The ultimate justification for punitive legislation is accordingly found in the un-American character of the ideas possessed and propagated by labor leaders. "Oft repeated declarations of Americanism and patriotism and frequent disclaimers of Bolshevistic beliefs, are not sufficient to conceal their *constant efforts* to stimulate *unsound* and *dangerous* industrial theories," President Mason maintained. "The only true American standpoint is the 'open shop,' with equal opportunity for all, and special privileges for none. (Applause.)" [47] Here again business leadership returns to the theme of prohibiting falsity in the realm of thought.

Charles N. Fay gives more specific content to the "new and emphatic legislation" proposed by President Mason. Fay felt that the "retail" organization of labor (that confined to a single employer) might be "winked at as fairly legitimate," if it were also restricted "*to those who desire to bargain in that way*, without limiting the freedom of those who prefer to bargain individually." More widespread unionization, however, should be subjected to more than mere restrictions; it should be outlawed entirely. "The time has fully come to *suppress by law all wholesale organization of labor*, for the purpose of fixing wages, or controlling, limiting or preventing work, production or transportation; *that is, organization involving the employees of more than one and the same employer.*" [48]

In addition to restrictions and prohibitions in the area of organiza-

[46] *Ibid.* [47] *Ibid.*, 113. Emphasis his.
[48] Fay, *Business in Politics*, 40–41, 42. Emphasis his.

tion, Fay presents a formula for the problem of strikes. American business should simply "go to the press, to Congress and the legislatures, for the embodiment in law of Calvin Coolidge's celebrated dictum—perhaps omitting the word 'safety'—that *there is no right to strike against the public, by anybody, anywhere, anytime.*" [49]

Any reservations about the right of the government to exercise such regulatory powers can be dismissed as mere quibbling. "It is my own conviction that public opinion is ripe for lawful control of organized labor," Fay asserted. "It is unthinkable that the free, self-governing people of this great republic should be so feeble as . . . to permit national conspiracy of a few thousand . . . upon the absurd pretense that it is their freeman's *right* . . . guaranteed by the Constitution of the United States." [50]

In response to the specific stimulus of a deadlocked coal strike, the president of the Chamber of Commerce helps to round out the regulationist aspect of the business theory. In harmony with the theme struck by other business spokesmen, President Barnes noted that "strong action is needed in the case of workers refusing to permit production." But he also recognized that "men cannot be forced to work, and even compulsory arbitration is of doubtful value against men who are determined to have their own way on their own terms." [51]

Not having had the benefit of rigorous preventive laws of the sort advocated by business, the nation faced the problem of what to do in the case of adamant union demands underlined by a strike actually in progress. President Barnes's solution was based on this persuasive argument: "When persistent refusal to submit such demands to disinterested examination, and when such determination to write its own terms has created public suffering and jeopardizes social order, then it may be deemed to have approved a forfeiture of the protection by national laws against competitive labor eager to accept the terms specified by such arbitration." [52]

Having forfeited its claim to protection by the nation's laws, the union itself could be said to have presented President Barnes with the requisite solution. "Half the outside world filled with idle labor, skilled in the performance of these tasks, is clamoring at our door

[49] *Ibid.*, 44. Emphasis his.
[50] *Ibid.*, 41–42. Emphasis his.
[51] Julius H. Barnes, "The Public's Place in a Coal Strike," *Nation's Business*, XI (October, 1923), 26.
[52] *Ibid.*

for a chance to share in America's high standards of living and America's larger opportunity," President Barnes pointed out. "Would it not be a practical and effective restraint on abuse of power if immigration quotas were relaxed, and if agencies were free to contract the importation, under reasonable regulation, of workers eager to accept terms prescribed by impartial arbitration?" [53] This happy solution would involve no ordinary use of strikebreakers, but a systematic importation of foreign labor in sufficient quantities to break any strike under governmental sanction.

The absolute character of American principles and the willingness of business organizations to have government enforce their observance was established in connection with the ideals of society. This point of view lends a note of fervor to the business demands for government action against labor that would otherwise be inexplicable. If American principles are worth defending, every loyal citizen should dedicate himself to the preservation of the open shop. "I can't conceive of any principle that is more purely American," President Edgerton announced to the National Association of Manufacturers, "that comes nearer representing the very essence of all those traditions and institutions that are dearest to us than the open shop principle. (Applause.)" [54]

If the open shop so nearly captures the essence of the American tradition, the lengths to which one may go in its defense are literally boundless. That this conclusion involves no exaggeration is manifest in President Edgerton's own eloquent interpretation: "And I say to you that when the question of the preservation of that principle in any individual instance arises, no man has any real right to calculate the cost of its preservation, and when that devotion to principle and that determination to preserve it at any cost—life itself—becomes fixed in the heart of the employers of labor in this country, nobody will have the nerve to ever resist." [55]

An address before the Open Shop Meeting of the National Association of Manufacturers in 1923 by Captain Robert Dollar, shipping and lumber executive, fully elucidated President Edgerton's injunction that employers should insist upon necessary government action even at the risk of life itself. Describing the transition of San

[53] *Ibid.*

[54] John E. Edgerton, quoted in "Meeting on Open Shop," *Proceedings, N. A. M.* (1923), 154.

[55] *Ibid.*, 154–55.

Francisco from a closed-shop to an open-shop city, Captain Dollar explained that the critical factor had been the proper intervention of government, under business inspiration, in the midst of a serious strike. The selfless manner in which San Francisco business had come to the defense of principle well demonstrated its appreciation of the fact that "no man has any real right to calculate the cost of its preservation." As Captain Dollar recalled the incident,

> We had a meeting in the Merchants Exchange, the biggest meeting that ever has been held before or since—to decide what we were going to do. Unfortunately they asked me to talk at the meeting and they said: "How are we going to settle this strike?" I said: "As long as we continue hauling our men to the receiving hospital and the other fellows stand by, we are never going to get anywhere, and I propose that tomorrow morning starting in, when they compel us to send one ambulance to the receiving hospital, we send two of theirs." (Laughter and applause.) There were a lot of good union men present and you could hear them groan. (Laughter.)
>
> When the meeting was about to adjourn the chairman said: "Gentlemen, we will enter into this thing in dead earnest and we need money, and I demand that you subscribe a million dollars before you leave this room." It didn't take more than ten minutes to get the million dollars subscribed.[56]

Here surely was as much "devotion to principle" and "determination to preserve it at any cost" as even President Edgerton could have hoped for. Could there be any doubt, then, that it would produce an appeal that "nobody will have the nerve to ever resist"? Captain Dollar was in a position to explain just how the irresistible effectiveness promised by President Edgerton could be realized since, as he put it, "I happened to be one of three that were managing the strike." When it was learned that one man had actually been killed, the business leaders recognized that immediate government action was necessary.

> He was a man that was coming into town, a stranger, and they thought he was a scab and they assaulted him. We were told of this. So we went to the district attorney and told him what had taken place and what was going to take place, saying, "We have formed a vigilance committee and tomorrow afternoon if something isn't done tomorrow morning, you are going to be strung up to a telegraph pole." (Laughter and applause.) He looked at me and said, "Mr. Dollar, do you mean that?" I said, "Look

[56] Robert Dollar, "Address of Captain Robert Dollar," *Proceedings, N. A. M.* (1923), 177.

at me and see if you think I do." He said, "I have looked at you and you are in dead earnest." "Well," I said, "I never was more in earnest in my life." [57]

The high sense of duty reflected in Captain Dollar's remarks led one National Association of Manufacturers' member to comment: ". . . it has been a great inspiration to me to listen to Robert Dollar. I have read about him and know about his work, and it was a great inspiration to actually meet Robert Dollar, knowing of the attitude he took and of the stand he took, which turned San Francisco from being one of the worst governed cities in the world into one of the best governed cities; but there are times when we have to stand right up and hew to the line." When such times arise business can take its cue from Captain Dollar with full assurance that it is also supported by higher authority. "The old Scripture injunction is that if you spare the rod, you spoil the child, and that sometimes applies to a community and it also sometimes applies to a labor-union." [58]

In the moral painted by this narrative, the business theory of government regulation as applied to labor unions reaches a fitting climax. Restrictions and prohibitions should be developed in such a manner as to reduce the scale of organization and to prevent or defeat strikes. Where these measures do not suffice, less systematic but more direct government intervention is necessitated. And if it is not voluntarily applied out of a sense of duty, business may apply such pressures as are necessary to evoke it.

[57] *Ibid.*, 178.

[58] Henry Leland, quoted in "Meeting on Open Shop," *Proceedings*, N. A. M. (1923), 183.

[X]

Promotion of the Promotable

THE National Association of Manufacturers and the Chamber of Commerce are not willing to endorse positive government solely in regard to labor.[1] Their enthusiasm for the regulation of labor is matched by an equal zeal for the promotion of business. Although the first resolution adopted by the Chamber of Commerce in 1921 affirmed that "individual initiative, . . . stimulated by active and free competition, is the guarantee of sound national progress," its tenth resolution proclaimed with no less certainty that a "proper function of government is to render service to business where such service cannot adequately be provided by individual initiative." [2]

That the latter resolution was an essential elaboration of the first is evident in President Edgerton's stronger presentation of the business position on government aid: "It is unthinkable that a government which thrives chiefly upon its industries will withhold from them for a single unnecessary moment the protection which they so sorely need and deserve." [3]

Unfortunately, however, as A. B. Farquhar pointed out to the National Association of Manufacturers, "the Government has not looked at it that way." The peculiar blindness of American government in 1920 left the duty of business clear. "All other nations do encourage their manufacturing interests, and it is for this organization and all organizations such as this one to see that we send men to Congress who will assist the industries of the country instead of throttling them." [4]

[1] For the introduction to secondary functions in general, see Chapter IX, *supra*.
[2] "Business Declares Its Principles," *Nation's Business*, IX (June, 1921), 48–50.
[3] From remarks of President Edgerton in opening the American Valuation Convention, quoted in "Wide Demand for U. S. Valuation," *American Industries*, XXII (February, 1922), 8.
[4] Farquhar, "Remarks of Mr. A. B. Farquhar," *loc. cit.*, 57.

Since government aid to business is such an evident necessity, the only distinctly novel aspect of the business approach to this question is to be found in the idea that the United States should look to foreign governments as a model. The general position of business spokesmen is that the "American Way" constitutes an absolute standard in terms of which all foreign practices must be judged inferior but toward which they should strive.

The explanation for this unique American inferiority would appear to lie in the fact that economic progress has created necessities for government aid to business at a faster pace than government has been willing to supply it. In 1920 the Chamber of Commerce pointed up the problem as applied to world trade by resolving that "production and distribution at home are related to world conditions. Commercial intelligence respecting conditions in foreign countries is essential for a constantly growing part of American business enterprises." [5]

Where the needs of business are exigent, a departure from otherwise inflexible principles may easily be excused; after all, government itself "thrives chiefly upon its industries." In order to close the alarming gap between business progress and government aid, the Chamber of Commerce was accordingly willing to go so far as to advocate an expansion of bureaucracy: "The service which our government now provides for the collection and distribution of foreign commercial intelligence should be increased. To that end Congress should provide for the further development of the Bureau of Foreign and Domestic Commerce appropriation, which will be adequate in view of the national interest." [6]

If the ideal of an expanded bureaucracy appears incongruous in the business theory, it must be kept in mind that these bureaucrats will be well occupied with the legitimate task of giving aid to business. Where this is the particular type of secondary function involved, business leaders will even defend the bureaucrats against legislative charges of "duplication," the very evil that business itself decries in the executive branch at large.

When, in 1920, a Congressional committee suggested that twelve commercial attachés could be eliminated as part of an effort to prevent duplication, a *Nation's Business* editorial described the recom-

[5] "Laying a Course for Business," *Nation's Business*, VIII (June, 1920), 38.
[6] *Ibid.*

mendation as follows: "With the rates of exchange in a more chaotic state than ever before in modern times, with every exporter beset with a multitude of perplexities, and with every buyer or seller in foreign commerce seeking help, the proposition was suavely brought forward that the commercial attaches should be annihilated, root and branch, and the Bureau of Foreign and Domestic Commerce should be placed on the operating table and nonchalantly deprived of approximately one-third of its anatomy. . . ." [7]

The reaction to this attack upon the Department of Commerce was highly gratifying. "In every community which has an interest in foreign trade, and in all the towns which have hopes in that direction," the editorialist exulted, "the protests against the raid on the government agency from which they get most direct comfort and assistance were simultaneous, thunderous, and unanimous." The unanimity with which American business came to the defense of the bureau clearly demonstrates that this type of government aid is too important to be jeopardized in the interest of administrative economies. "Over this sort of thing the American businessman has very just cause to pick some old crow with the gentlemen who talk solemnly of 'duplication,' and the rest." [8]

Again the example of foreign governments must be heeded. "Knowingly or unknowingly, such gentlemen are seeking to have our Government do him a disfavor when the governments of other countries are lying awake nights trying to devise ways of helping their loyal subjects cut a bigger swathe in foreign trade." [9]

It is not in connection with foreign trade alone that government should "lie awake nights" devising techniques for the "direct comfort and assistance" of business. Where a particular industry is involved, even more direct aid may be called for, which will produce in turn an even greater relaxation of the rigid administrative standards ordinarily demanded by business.

The National Association of Manufacturers was thus quick to perceive the merits in an appeal of the shipping industry for government help. In 1922 the Association's committee on the merchant marine happily reported, "The outstanding recommendation of your committee's report in 1921 was that some form of Govern-

[7] Editorial, "When a Feller Needs a Friend," *Nation's Business*, VIII (April, 1920), 38.

[8] *Ibid.*

[9] *Ibid.*

mental aid be furnished, and it would seem that this policy is now receiving favorable consideration at the hands of national legislators." In the interest of such a commendable program, administrative discretion would hardly involve any inappropriate risks for the citizenry. "The ship subsidy legislation now pending before Congress should have the most sincere attention and thought of the members of this Association," the committee reported, "and it is the opinion of your Committee that there should be vested in the Shipping Board some discretionary power for increasing or decreasing the subsidies presently under consideration." [10]

When, in its relations with business, the ineptitude of government in a regulatory role is combined with its great potentialities in a promotional capacity, aid to shipping without regard to government losses becomes a reasonable policy. "It is the feeling of your committee that disposal of the entire Shipping Board fleet should be accomplished at as early a date as possible," the National Association of Manufacturers was informed, "even at the loss of considerable money, because it is difficult to conceive that Governmental operation of Shipping Board vessels can be carried on at a profit." [11] If the advocacy of a deliberate "loss of considerable money" by government is a surprising argument to hear from business, it must be noted that in this case the government could not be expected to realize a profit anyway. Why not take a larger loss in good grace and give business the benefit?

It was during the same convention that the National Association of Manufacturers endorsed this recommendation of subsidies at a loss and accepted the report of the committee on taxation to the effect that the tendency to rely upon government as "Lady Bountiful" threatened to "undermine the self-reliance of the individual and his sense of responsibility." Quite evidently the National Association of Manufacturers thought the two positions could be reconciled. Because proposed decreases in postal rates, the concern of the committee on taxation, would undermine American individualism is no reason to assume that ship subsidies would have the same effect. The business concept of the nature of man made it clear at the outset that the superiority of the elite is virtually boundless. The hardier constitution of business will therefore permit it to receive such rich

[10] "Report of Committee on Merchant Marine," *Proceedings, N. A. M.* (1922), 11.
[11] *Ibid.*

fare without the ill effects that could be expected in the masses.

When it is toward the assistance of business that secondary functions are directed, a more felicitous appellation than "Lady Bountiful" or "Government"—with its ominous capital "G"—is called for. When government acts simply as the handmaiden of business, it is more affectionately referred to as "Uncle Sam." Describing the process through which business was "Making a Partner of Uncle Sam," Robert Kenton explained: "Ideal government might be one that let the citizen fix his own taxes and make his own appropriations from the public till. And something has actually been accomplished in that apparently impossible direction. For 'automatic government' is appearing and its sources are not such as would be looked to ordinarily for governmental idealism." [12]

The ideal of "automatic government" had been achieved in "a number of instances in which business has called in government aid and in which, when funds were lacking, business men have supplied the money to carry on the work." The coal industry, for example, had furnished money through which the Bureau of Mines was enabled to increase its aid to the industry. Self-taxation was thus coupled with private access to the "public till."

Rather than displaying the typical inexpertness of the bureaucrat, those bureaus that are available for service to business may actually be regarded as efficient. And in view of their unusual efficiency, which appears to come from their close contact with business, these bureaus may be allowed to reach tremendous proportions without danger. As Kenton puts it, "Governmental scientific establishments like the Bureau of Mines are tremendous organizations made up of hundreds of experts, with equipment that represents millions of dollars. Those organizations can be easily expanded to include work far beyond what Congress can be expected to make possible through appropriations." [13]

Just as bureaucracy is not always inefficient, government intervention in the economy need not always have disastrous results. It has been established that government meddling in economics can be expected to produce nothing better than confusion, but this general proposition does not apply when the intervention is inspired by

[12] Robert Kenton, "Making a Partner of Uncle Sam," *Nation's Business*, X (October, 1922), 34.

[13] *Ibid.*

business. With this qualification in mind, President Edgerton could take pride in pointing out that the National Association of Manufacturers had first been created for the specific purpose of boosting tariff rates. "Recalling . . . that our organization was called into being by a very unhappy nation-wide situation resulting from an unsatisfied tariff necessity, and was dedicated in its infancy to the fostering and maintenance of a continuously adequate tariff for the protection of our developing economic status, it should be noted here that our exports and imports have moved steadily upward in generally equal balance with each other and in very significant proportion to the rate of advance in all other respects." [14]

Far from having disastrous effects, government intervention in the economy through the device of the protective tariff was the chief cause of America's remarkable economic progress. Only ignorance or perversity could underlie any other explanation. "If, therefore, inquiry should be encountered from uninformed or captious sources as to what has constituted the *sine qua non* of this astounding industrial development during this particular period, and as to what the National Association of Manufacturers has had to do with it," advised President Edgerton, "let it be intelligently and correctly answered that the protective tariff has been the prime factor and that this Association has been continuously and persistently its chief and indispensable friend." [15]

The ultimate credit for America's "continuously adequate tariff" during the 1920's properly belongs to business, so that government intervention per se finds no endorsement in President Edgerton's analysis. But neither can it be categorically condemned. A more balanced conclusion would appear to be that government interference with natural economic forces can be highly beneficial, but only if it is carefully steered by those best qualified to understand those forces—the business elite.

This interpretation is strongly supported in President Edgerton's laudatory comments upon the record of Congress in 1930.

> We have found enough intelligence, conscience, and courage yet left in government to which we could hopefully address ourselves for the persuasion of its consideration. It is, therefore, chiefly to the credit of

[14] Edgerton, "Annual Address of President John E. Edgerton," *Proceedings*, N. A. M. (1929), 16.

[15] *Ibid.*

the soundness of our positions on the various questions as well as to the virtuous legitimacy of our methods of procedure, that we did not lose in the year just passed a major engagement with opposing forces. Never were we called upon by necessity to oppose more unwise and iniquitous legislative proposals—*and not one that we actively opposed before Congress was enacted into law, thanks to the sanity of chiefly the House of Representatives.*[16]

Does this mean that business seeks special favors in public policy? The desire for an expanded bureaucracy in those agencies capable of rendering "direct comfort and assistance" to foreign trade, to the shipping industry, and to those in need of technical research, no less than the insistence upon a high tariff, may appear to some to constitute special pleading or even class propositions, but spokesmen for American business will have no part of such an interpretation.

President Edgerton made this abundantly clear not five minutes after his discussion of the protective tariff and the role of business in its preservation: "The manufacturing industry has within its own constituency all of the strength necessary to the accomplishing for itself in open, legitimate ways everything to which justice entitles it, and also to the defending of itself successfully against any vicious attack or imposition," he asserted. "*The industry needs no privileges and requires no favors at the hand of government or society.*" [17]

That there were those who refused to recognize the disinterested character of the business program was too evident to be denied. "Perhaps, there have been and are now those of the unenlightened who ignorantly think and talk of this association as having been set up by the so-called 'big business' interests for the purpose of controlling all governmental processes and of opposing selfishly the aims and activities of others with whose program it does not agree," President Edgerton conceded.[18] But the attacks of the "unenlightened" could not force business into an apologetic position. "There is no denial of the fact that in every honest way we try to influence the course of legislation touching particularly those things that help or hurt American industry. That is not only entirely proper and within the scope of this association's legitimate functions, but we

[16] *Id.*, "Annual Address of John E. Edgerton," *Proceedings, N. A. M.* (1930), 19. Emphasis his.

[17] *Id.*, "Annual Address of President John E. Edgerton," *Proceedings, N. A. M.* (1929), 18. Emphasis his.

[18] *Id.*, "Annual Address of President Edgerton," *Proceedings, N. A. M.* (1922), 114.

regard it as one of the sacred obligations of citizenship to co-operate with every department of our common government in the solution of all problems involving the common welfare."

The attempt to influence public policy in the direction of aid to business is, if seen in proper perspective, nothing worse than an attempt to promote the public interest. As President Edgerton put it, "We proceed upon the commonly accepted theory that nothing is or can be of lasting value to industry that is not of equal value to every other class, group, or individual in this country." [19] If they could appreciate the harmony of interests equally, "every other class, group, or individual" would come enthusiastically to the support of government aid to business out of a sense of public duty.

To interpret the business point of view toward promotional activities of government solely on the basis of its analysis of aid to business would be highly misleading. The constructive nature of the promotional functions discussed above was derived from the fact that they were directed by and toward the elite. When "government aid" is referred to without qualification, then, or when it is directed toward some other segment of the citizenry, its character must be examined anew.

Aid of a general sort is viewed as a central part of that tendency to rely upon government which, once it thoroughly infests the masses, spells the death of free government. "*The obvious danger to democracy everywhere lies mainly in 'collectivism'*; that is, in the growing habit of using the collective power of the community by law to forbid, or else compel, the individual to do something (supposedly) for the common benefit,—and creating salaried bureaus or commissions to enforce the law." [20] Whereas it is acceptable so long as it is carefully confined to the elite, resort to government as a more widespread phenomenon quickly shades into "collectivism." This type of positive use of law for the "common benefit" differs in such a high degree from aid to business as to become different in kind. From an evident necessity it is transformed into an obvious danger.

The distinguishing feature of the collectivist variety of government promotion is easily identified. "Without an exception that I can recall," Fay avers, " 'Progressive' (or collectivist) legislation proposes that government shall take away something from those who

[19] *Ibid.*, 114–15.

[20] Fay, *Business in Politics*, 91–92. Emphasis his.

prosper under natural laws and conditions of trade, in order to make the less prosperous better off and happier." [21]

Unlike its elite-level counterpart, aid of the progressive stamp can never be a success. The record speaks clearly on this point to Fay: "No attempt to set aside by statute the natural economic law of supply and demand has ever worked out in anything but loss, sooner or later, to all concerned." Natural economic forces in this case simply underline the immutable character of the Biblical truth "For whosoever hath, to him shall be given; but whosoever hath not, from him shall be taken away even that that he hath." This becomes, in the secular terms of the business theory and of Fay's experience, ". . . as far as my reading reveals, no law that has so mulcted the prosperous, has ever failed to mulct the 'people' harder still." [22]

If the record is so clear, who is responsible for the "growing habit" of mass reliance upon government as a way to mulct the prosperous? "The collectivists (better known here as 'progressives') are," Fay admonishes, "an uncertain quantity—as it were an 'x'—in our political equation; and so far constitute a minority, though a very aggressive one." Although the progressive element may be little understood, a large part of the responsibility for its agitation may be imputed to three groups, each guilty of misleading the masses.

Two of these groups are exposed by Fay's observation that "the collectivist camp is the happy hunting ground of the demagogue and the bureaucrat." The direct interest of each of these in promotional activities of the progressive type is painfully evident: "The former, as champion of the oppressed, can always sponsor some coercive measure, which is pretty sure to capture the enthusiastic support of a lot of sincere believers in unlimited appeal to the people; while the latter, if the measure passes, is certain to revel in a new bureau, with new salaries and more taxes." [23]

Not only is the demagogue pictured here as the threat which he always represents in the business theory, but the blurred character of the bureaucrat is returned to proper perspective. The efficient, expert, and preferably expanding bureaucracies engaged in service to business fade to the peripheral area appropriate for exceptions to leave room in the foreground for the parasitic figure who thrives on expansion for its own sake no less than for the high salaries and taxes it entails.

[21] *Ibid.*, 92. [22] *Ibid.* [23] *Ibid.*

A third type who contributes to the collectivist trend is the benevolent reformer. In view of the fact that he is motivated by a vague and ill-informed intention to "do good" rather than by direct self-interest, the fuzzy-minded reformer may well pose a more insidious threat than the demagogue or bureaucrat. Readers of *American Industries* were warned of both the ignorance and the intentions of the reformer by the associate counsel of the National Association of Manufacturers, Nathan B. Williams: ". . . impatient reformers, who apparently never have read history, or who have little or no experience in government or business, taking advantage of the added leisure and comfort developed by the agency of modern business accomplishment, seek in sundry ways to lay the heavy death hand of inertia upon the citizen and attempt to say that if you will not proceed down the road we point out for you, you shall make no progress whatever." [24]

The route to progress plotted by the reformer was in fact as impassable in the 1920's as it had been centuries before. Of this truth, however, Williams finds the reformer blissfully unaware. "I cite you but one instance—alleged reformers are going up and down the country preaching the doctrine of a minimum wage for workers. Hammurabi, who preceded by 3,000 years Tutankamen, and who is known to history as the first law giver of mankind, had a minimum wage system." [25] In his confusion the "impatient reformer" might assume that the effort of the earliest code of laws toward a minimum wage attests to the basic character of the desire for security. But to the business spokesman the causal relationship between Hammurabi's minimum wage concept and the demise of the Babylonian Empire is too evident to require elaborate proof. It suffices simply to cite the two facts together.

It was not without reason that Williams turned to the minimum wage to illustrate the nature of proposals for government aid at the mass level. The collectivist threat, abetted by demagogue, bureaucrat, and reformer, assumed a variety of menacing forms during the 1920's, but it was perhaps best typified by the doctrine of the minimum wage. The attitudes underlying the rejection of this concept

[24] Nathan B. Williams, "The Besetting Reformers," *American Industries*, XXIV (August, 1923), 36.
[25] *Ibid.*

in the business theory will accordingly suggest the frame of reference that is applied to mass aid in general.

The unyielding foundation of business opposition to the minimum wage is laid by Dr. Gus W. Dyer. "American democracy does not and cannot in the very nature of the case guarantee anybody any sort of an income anywhere," he categorically asserts. "To do this is to overthrow our whole system and completely put out of commission every piece of regulating machinery we have." [26] If the choice is nothing less than a mutually exclusive support of American democracy or a minimum wage, one would hardly expect to find much enthusiasm for the latter.[27]

For many, however, the clarity of the choice must have been obscured by agitators. "We have injected into our industrial system the theory, borrowed directly from socialism, that the worker must be taken care of where he happens to be employed, by some sort of compulsion brought to bear on those for whom he works. That is, that his income must be regulated on the basis of his needs, arbitrarily fixed, and that the employer or society at large, or both, should be forced to meet his requirements." [28]

Rooted in individual freedom and responsibility, American democracy would quickly wither in the confines of a policy that insisted "the worker must be taken care of." It is in this individualistic sense that Dr. Dyer finds the "very nature" of our system incompatible with any type of wage guarantee. "If we adopt the theory that industry must be compelled to pay a living wage, we take the responsibility from the shoulders of the individual to find the place of his greatest efficiency, and hence the place of his greatest income, and say to men in over-crowded industries, 'Stay where you are, your income is independent of the law of supply and demand. . . . You

[26] Dyer, "The Open Shop and Democracy," *loc. cit.*, 329.

[27] It may be noted that both Dyer and Fay speak in this section of the American system as being "democratic," whereas President Edgerton has earlier referred to democracy as "impossible" and indicated his preference for a "republic." Any inconsistency here appears to be merely verbal. When democracy is rejected, it is the progressive's interpretation of democracy that is rejected. When democracy is defended, it is in terms of the sounder principles earlier described as republican. Polemical purposes may therefore determine the choice of a term to describe the American system, but its content is perfectly consistent. Note, e.g., that Fay's "democracy" abjures the thought of "unlimited appeal to the people" with no less alarm than President Edgerton's "republic."

[28] Dyer, "The Open Shop and Democracy," *loc. cit.*, 328.

can solve the problem of over-production by doing less work.'" [29]

How could such an unreasonable program gain support in free America? Given the fact that certain agitators will try to win support for almost any type of government aid that is ostensibly in the mass interest, why do they elicit a response? Basically, of course, it is because of the gullibility and irrationality of the masses. Business spokesmen find at least some of the more proximate causes, however, in three popular fallacies that are possible because of the average man's irrationality and that are accentuated by the agitator.

The first widespread misconception which contributes directly to the notion that a minimum wage is feasible was identified for the National Association of Manufacturers by Dr. Dyer in 1922: "That is the statement that wages in a state of freedom result from the relative bargaining power of the employer and the employees. That is commonly accepted." From this false premise, it is easy to conclude that, "since the employer under modern conditions is so much stronger intellectually and financially than the employee," [30] the balance should be artificially shifted in favor of the worker.

The erroneous nature of the major premise, however, is quickly apparent to one who understands free economic processes. "Now, my friends," Dr. Dyer explained, "wages do not result from the relative bargaining power of the employer and employee any more than the price of corn results from the bargaining power of the miller and the farmer." If this is the case, no one need be concerned about the employer's superiority "intellectually and financially." "Employers do not fix wages," the nation's manufacturers were assured. "Under a system like ours the value of wages is fixed by the same law that fixes the value of everything else." Could the employee but understand that wages below the subsistence level reflect nothing more than the operation of inexorable economic forces, even he would appreciate the folly of trying to raise them by law.

A second common fallacy underpinning the idea of a minimum wage is the myth that wealth is the creation of the entire community. The misleading effect of this belief is obvious: if the general social order makes wealth possible, every member of society can expect some minimum share of its fruits. But what are the facts? "Henry Ford in a few years has made a billion dollars. Where did it come

[29] *Ibid.*, 329. [30] *Id.*, "Government and Business," *loc. cit.*, 126.

from? Not a penny of it came from any workingman that he has had, or from anybody else." [31]

Having had no share in its creation, neither the Ford employees nor "anybody else" can submit a just claim to any benefit from his fortune. "That billion dollars was the creation of wealth by Henry Ford's brain," the National Association of Manufacturers was informed, "and every cent of it belongs to him, and no man has any justification to make a claim for a single penny of it. (Applause.)" [32] When one is said to have "made" a fortune in the business theory, the verb has a literal meaning that is incompatible with any "right" to a minimum wage.

If the masses are so misguided as to think that wages are fixed by bargaining power and that the community creates wealth, it is not surprising that, as President Edgerton puts it, "another sophistical and wholly un-American idea that is becoming nauseatingly prevalent is that compensation for work should be calculated upon the basis of the worker's needs." President Edgerton goes beyond these first two fallacies, however, to explain the unsavory popularity of the minimum wage in terms of an even more basic misconception. "This absurdity," he submits, "grows out of the presumptuous theory that the world owes every person a living." [33]

Once again the facts are wholly counter to popular assumption. "The world, of course, owes a person nothing except the right to life, liberty, and the pursuit of happiness." [34] More specifically, "it owes him the right to earn a living, and all that he gets which he does not earn is derived from the charities of others or is dishonestly obtained. On the contrary, every person owes the world a life, and the obligation to pay precedes the right to receive." To request a minimum wage is to beg for charity; to demand it through superior political power is to steal from the more deserving.

In repudiating the "presumptuous" belief that the world owes anyone a living, President Edgerton firmly removes the whole problem from the political or economic sphere and places it in the quite separate realm of morality. "The deficit in a worker's actual living needs after he has been paid what he actually earns is clearly

[31] *Ibid.*, 128. [32] *Ibid.*

[33] Edgerton, "President Edgerton's Annual Address," *Proceedings, N. A. M.* (1923), 115.

[34] *Ibid.* Although "the pursuit of happiness" here replaces "property," the two remain inseparable. *Cf.* p. 113, *supra.*

society's obligation and everybody shares it. The payment of this deficit by anybody is in the field of human charity. . . ." [35] Since charity is an act of grace, the recipient is in a position to submit not demands but entreaties.

The problem can be relegated to the moral field in this manner because of the fact that any good and normal person can acquire an adequate wage. Or, as President Edgerton puts it, "if a normal person complies with physical and moral law as he is obligated to do, he will never acquire necessities which his earning power can not satisfy." Here is as purely personal a responsibility as one could conceive. "If through the sins of others or of himself or through some misfortune he can not provide himself with the necessities of life by his own honest efforts, then a Christian society has the obligation to come to his relief. But that is applied Christianity and not economics." [36]

The exposure of each of the fallacies underlying the minimum wage concept adds new weight to the initial proposition that such a program would destroy American democracy. These arguments find their conclusion in an exhortation imbued with an impassioned sense of urgency appropriate to the gravity of the threat:

> industry should say to society, "Stop your lazy and fantastical efforts to unload your natural obligations upon industry and the law-making bodies. Assume your task to protect the weak and unfortunate by your own self-sacrifices, and through both precept and example teach them the laws of life. Show them that inevitably they must reap what they sow, impress upon them, yourselves, and all others that obligations are more important than rights, and that only through the performance of obligation does any person retain and multiply his rights. Cease your cowardly and selfish efforts to repeal economic and natural law by trying to set up legislative backstops for inefficiency and by legal statutes to shift property honestly acquired by some into the unearning hands of others." [37]

Whereas the elite may be protected in an organized fashion through such devices as a high tariff, the "task to protect the weak and unfortunate" can be executed only through personal acts of charity. And this is for the good reason that the very weakness of the "unearning" class defines it as less deserving. No system could long endure if shiftlessness and sin were allowed to exact tribute from virtue.

[35] *Ibid.* [36] *Ibid.*, 116. [37] *Ibid.*

Any proposal of government promotion at the mass level will evoke the same basic arguments that business leaders applied to the minimum wage. The emphasis shifts, however, with the nature of the problem so that a more rounded picture of the business theory may emerge if one also notes the rejection of maximum hours legislation, old age pensions, and social insurance.

It was established in connection with the nature of man that the masses tend to be corrupted by leisure. Added light is thrown on the dangers of mass aid by the revelation that natural economic laws may be trusted to respect the nature of man whereas formal law may not. "Certainly no thinking person would oppose [maximum hours] as the economic product of a natural evolutionary process," President Edgerton maintains. "If and when it comes in individual, trade, or national instances as an economic necessity for the equalization of production and consumption, there can be no reasonable objection offered." [38]

If maximum hours are established by governmental action, however, there can be no assurance that the masses have reached the point where they are fit to enjoy this boon. In the view of the National Association of Manufacturers, "any attempt to force general recognition of it as a uniform policy is repugnant to the same sense of economic soundness and constitutional propriety as are all other attempts to override national and economic laws to establish legal formulas for the regulation of moral conduct." The problem is again one of moral fitness. "Let us give Nature and Nature's God a chance for a while to do something for the salvation of the human race," President Edgerton concludes, "relaxing our rigid dependency upon the compulsions of law and the operations of physical force." [39]

Old age pensions, on the other hand, are rejected on more technical grounds. The goal of pension proposals is heartily endorsed by *American Industries*. "No one in this country . . . will close his eyes to the righteousness of caring for the aged person who becomes dependent on society," a 1930 editorial maintained. "Certainly no manufacturer will deny it." [40]

[38] Edgerton, "Annual Address of President John E. Edgerton," *Proceedings, N. A. M.* (1929), 24.

[39] *Ibid.*

[40] "Plucking the Goose That Lays the Golden Eggs," *American Industries*, XXX (February, 1930), 4.

Even where the goal of a promotional measure is fully approved by business, however, administrative difficulties may lead to its rejection: "American Industry has demonstrated time and again that it believes in some provision for those who have grown to their declining years without means of support. But it does not believe in the adoption of a system that would impair initiative, encourage sloth and give growing opportunity for saddling another army of office holders on Uncle Sam's payroll." [41] Not the objective of providing for the aged, but the threat posed by the bureaucracy necessary for its implementation must lead to a repudiation of the program.

"The public pension dole would create another army of federal employes, hungrily expanding and recruiting itself for its own sake. The system would add tremendously to the taxation burden from the start, to provide money not only for the pensions but for the easily earned salaries of the new leaners on the public treasury. The bureau once established and entrenched, would grow heavier and heavier. The pensions would be increased as a means of currying political favor and the bureau would be enlarged and the salaries increased for the same purpose." [42]

The analysis of the minimum wage offers an elaborate demonstration of the fact that promotion of the mass interest will destroy American freedom. This idea is buttressed by arguments that maximum hours may be acceptable if produced by "Nature and Nature's God" but not if by man, and that old age pensions are dangerous because of insuperable administrative complications. Any reasons omitted in these approaches are included in the report on social insurance submitted by the National Association of Manufacturers' employment relations committee in 1930. The report of the committee is so thorough as to defy emendation: "Such legislation is considered unsound for the following reasons:

(1) The costs to taxpayers rapidly increase;

(2) As the tax burden upon industry for such public social services increases the ability of industry to continue operations and employment is adversely affected;

(3) As the tax burdens increase the incentive for large savers and owners of capital to invest in productive industrial enterprise is materially lessened;

[41] *Ibid.*, 6.

[42] *Ibid.*, 7.

(4) Initial benefits and qualifications are simply "molasses to catch flies"—following enactment of social insurance laws the pressure upon politicians to reduce exemptions, lessen qualifications and increase benefits tends to become too great to be resisted;

(5) When individuals realize that they can definitely count upon public monetary aid in cases of adversity, the incentive for individual self-help, thrift, and forethought is weakened, and increasing proportions of the population receive support from public funds;

(6) Public monetary relief of adversity by legislative rule is contrary to the sound case-work principle of individual study and treatment of particular individual needs and problems;

(7) Increasing reliance by individual citizens upon state support creates and fosters a state of mind which will facilitate adoption of government ownership measures and ultimate socialistic control of life and industry.[43]

Although aid at the elite level could be highly beneficial, every type of mass aid suggested during the 1920's was vigorously condemned. The apparent inconsistency in this aspect of the business theory is heightened by the fact that the approved types of elite aid included interference in the economy, direct dependence on government for subsidies, expanding bureaucracies, and a maximum of administrative discretion. Business spokesmen can find no problem of reconciliation in the conclusion that these devices are constructive in one context and destructive of the very fabric of American life in another.

The synthesis of these apparently antithetical concepts is effected by a fundamental assumption which transcends the specific problems of the 1920's. The central institutions of society are economic rather than political. For government to promote the interests of the elite is therefore merely to bring political power into conformity with natural forces which will, in any case, find expression. It is an act of high statesmanship to offer aid to business, not so much because of the resultant benefits to the elite, but because government is ennobled by its alignment with more important economic institutions.

Government aid at the mass level, on the other hand, attempts to bring economic forces into conformity with the political power enjoyed by mere numbers. Here, then, is no attempt to facilitate, but a bold plan to destroy the efficacy of underlying economic forces. No

[43] "Report of the Employment Relations Committee," *Proceedings, N. A. M.* (1930), 36.

plan could be more certainly doomed to failure or better calculated to strike terror in the hearts of *Nation's Business* readers.

> It beggars wit of man how friend of man
> Can postulate that worth should be ignored,
> And served, like dole, the national reward
> Of power (begot, since social life began,
> By vision, thrift, self-sacrifice, the sword),
> In equal lot to queen and courtesan,
> To dullard, loafer, genius, saint, and lord,
> The craven and the leader of the van.
>
> Shall mediocrity and worthlessness
> By any sort of justice, rape and share
> The tribute of devotion, courage, stress?
> No body-politic could breathe that air;
> But common-sense decided, once for all,
> That to the early bird, the worm should fall.[44]

[44] Phillpotts, "A Reply to Socialism," *loc. cit.*, 26.

[XI]

Power: Menace or Blessing

THE ideas of the national business organizations on the problem of government power serve to reaffirm the strength of America's Federalist tradition. Any power rooted in the masses must be demagogic. The result is no simple distrust of government power per se but an acute distrust of any power with a popular base. A central feature in the consideration of the source of government power, this point of view is also strongly implied in the business analysis of the scope and locus of power.

Although business spokesmen of the 1920's might have been willing to agree that "the actual is the rational" in the economic sphere, they would never have been willing to apply this concept to the exaltation of the American state as Hegel had to the Prussian. A rigid distinction must be maintained between what is and what should be the source of government power in the United States.

The actual basis of the politician's power was as painfully clear to business leaders as it was delightfully apparent to the politicians themselves. "The professional politician knows that demagogic appeals strike a popular chord with a large element and that the business man or property owner who will suffer in all probability will not vote," President E. E. Loomis of the Lehigh Valley Railroad observed. "If ever there was a time when we needed an efficient Congress it is right now, but the trouble is that the selection of the best men does not receive sufficient attention from thinking people." [1]

What is the real source of government power in the United States? It is revealed by Loomis to be based upon mere numbers, which produces the dominance of the "large element" over the "thinking people." The trouble thus goes directly back to the institution of universal suffrage. "Here we are with universal suffrage and the peo-

[1] E. E. Loomis, "Politicians Play Upon Demagogic Appeals," *American Industries*, XXV (October, 1924), 7.

ple, who because of education and the initiative, energy and enterprise they possess have brought themselves to positions where they have the most to lose through incompetent government are sitting back and letting many of those without any of their attainments make laws which all must obey." [2]

An arrangement in which all can be controlled by power derived from those without ability is clearly fraught with danger. As President Loomis noted, "The railroads are among those who have suffered severely as a result of this situation." [3] But the dangers inherent in mass power had been exposed long before the difficulties of the railroads. Augustine Davis, president of the Davis Automatic Equipment Corporation, found that in 1857 Lord Macaulay had graphically depicted the nature of the threat to the "business man or property owner" about which Loomis was concerned. President Davis cited Lord Macaulay as having expressed this warning to America:

> It is quite plain that your Government will never be able to restrain a distressed and discontented majority; for with you the majority is the Government, and has the rich, who are always a minority absolutely at its mercy. The day will come when in the State of New York, a multitude of people, none of whom has more than half a breakfast or expects to have more than half a dinner, will choose a legislature. On one side is a statesman preaching patience, respect for vested right, strict observance of public faith. On the other is a demagogue, ranting about the tyranny of capitalists and usurers, and asking why anybody should be permitted to drink champagne and to ride in a carriage while thousands of honest folks are in want of necessaries. Which of the two candidates is likely to be preferred by a working man who hears his children cry for more bread? [4]

Macaulay's conclusion was no more gloomy than the facts warranted—"institutions purely democratic must, sooner or later, destroy liberty or civilization, or both." To Davis the accuracy of this forecast appeared undeniable: "To what an astonishing extent the industrial conditions existing to-day, justify the prophecy." [5]

The validation of Macaulay's prediction had proceeded too far to permit an endorsement by American business of Jefferson's faith in the majority as the source of power. A business spokesman could

[2] *Ibid.*, 7–8. [3] *Ibid.*, 7.

[4] Augustine Davis, "Macaulay's Prophecy of Sixty Years Ago," *American Industries*, XXII (November, 1921), 19.

[5] *Ibid.*

hardly be expected to affirm, "I am not among those who fear the people." [6] To say that "they, and not the rich, are our dependence for continued freedom" is to misread human nature completely. Experience with popular government supports, on the contrary, the greater insight of Hamilton's observation that a "well-organized republic can scarcely lose its liberty from any other cause than that of anarchy." [7] If this be the case one must hold to the Hamiltonian principle that free government "does not require an unqualified complaisance to every sudden breeze of passion, or to every transient impulse which the people may receive from the arts of men, who flatter their prejudices to betray their interest." [8]

Looking back from the twentieth century, business spokesmen can find nothing which requires modification of the eighteenth-century forecast of Hamilton or the nineteenth-century fears of Macaulay. "Our American democracy is one of the most recent and so far of the most successful experiments in human government," Fay proclaims. "Not without reason we think that it suits human nature better, and is more likely to endure—is indeed more nearly the *ultimate* form of government, than any other in history. But it is still comparatively young, and undamaged by time and circumstance." [9]

The danger which Hamilton recognized as inherent in mass power has simply become more apparent. It remains the greatest threat to the success of the American experiment. "Already we see that the *mob* today is just as pitiless as the *tyrant* used to be; and that our demagogues love political power and plunder, quite as well as any autocrat ever did. Just now it does not look as though democracy were so certain to last, even for as many centuries as autocracy has often lasted." [10]

For any who might have been unimpressed with the perils posed by mass-based power, President Edgerton cited the increasingly irrational demands of numbers in the twentieth century. "Hear the chorused voice of the multitude screaming for an increase of compensation in direct proportion to a reduction in hours of labor. Lis-

[6] Thomas Jefferson to Samuel Kercheval, July 12, 1816, in Koch and Peden (eds.), *The Life and Writings of Jefferson*, 673.

[7] "On Whiskey Rebellion, August 28, 1794," in John C. Hamilton (ed.), *The Works of Alexander Hamilton* (New York, 1851), 164.

[8] Alexander Hamilton, John Jay, and James Madison, *The Federalist* (New York, 1937), No. 71, p. 464.

[9] Fay, *Business in Politics*, 91. Emphasis his.

[10] *Ibid.* Emphasis his.

ten to the strange philosophies of the living wage, the check-off system, the minimum wage, government controlled children, the closed union shop, and the socialistic redistributions of wealth." [11]

Here were doctrines stranger than any that had inflamed the masses or distressed the principled minority in the eighteenth century. Nor were they to be heard only from the more obvious malcontents. "Such philosophies are no longer confined to the columns of foreign papers and soap boxes on street corners. They have been respectabilized by repetition until they have been caught up by the intelligensia and are now thundered unblushingly from many of our pulpits, platforms, and rostra, and taught in our schools." [12]

Despite the restraining influence of a few statesmen of Coolidge's stamp, the twentieth century was beginning to experience the mob dominance that had only been a vague threat to earlier generations. The new note of impudence in the "voice of the multitude" could only be explained as a verification of Hamilton's distrust of mass power. "The legislative and other crimes being committed in the names of progress and democracy are the natural result of this sort of mob spirit that has taken hold of the world," President Edgerton submits. "The passion for power, privilege, and advantage through law is rampant throughout the earth. It can be confined to the channels of reason only by the combined forces of the constructive elements of society." [13]

The business theory thus unhappily traces government power to a multitude that is drunk with the power of numbers. Indiscriminately imbibing the heady doctrines concocted by demagogues, the mob threatens to destroy democracy with its blindly destructive course. Business spokesmen are quite evidently appalled at the thought that government power can in fact be derived from such a polluted source.

As to the proper source of government power, however, the business theory is considerably less explicit. How should it be purified? President Edgerton has suggested that it can be confined to the purer "channels of reason only by the combined forces of the constructive elements of society." Read in conjunction with the insistence on more perfect government response to the recommenda-

[11] Edgerton, "The President's Annual Address," *Proceedings*, N. A. M. (1925), 10.
[12] *Ibid.*
[13] Edgerton, "President Edgerton's Annual Address," *Proceedings*, N. A. M. (1923), 115.

tions of business, this statement suggests that political power should be wed to interests rather than to mere numbers. Power thus rooted in the "constructive elements" would replace demagogic with constitutional government, so that the ultimate source of government power would be found where it should be—in the Constitution.

Constitutional government can never be achieved through response to the current majority since this would simply leave the multitude enthroned. This point of view is reflected in President Edgerton's concern for the fact that, because the nation had already reached the maximum output of foolish laws "and because it seems to be the shorter way to the ends of destruction, it has become a fad, or rather a disease, to try to amend our constitution; and by amending it to render inoperative the wisest provisions of its original architects and builders." [14]

Although America has made astounding economic progress, it has degenerated politically. The superior wisdom of the framers of the Constitution, as appreciated by the elite, should accordingly be preserved as the only proper source of government power. The perversions of contemporary thought heavily underscore this necessity:

> In practically all of these amateurish projections of experiment in reform, there is a striking similarity of patent intent; and that is to impair the sovereign rights of the states; to centralize the powers of the federal government at those danger points where there is least qualification for their judicious exercise; to multiply and socialize the processes of government; and to further increase its already stupendous cost by creating new jobs and easy positions for the reforming geniuses and their friends. . . . If these are not reflections enough, contemplate, if you will, the innumerable hands of the imperfectly governed that are stretched in greedy petition towards the public treasury; calculate, at your leisure, the foreboding distances in moral and mental perspective between the popular heroes of today and those of a century, a half century, or a quarter century ago.[15]

The great progress that had been achieved in the economic sphere could itself be preserved only by a return to the happier political conditions of the past. "If your meditations are disturbed by the moaning of the shades of Washington, Jefferson, Hamilton, and Lincoln as they look with weeping eyes upon the growing triumphs of Karl Marx and Nikolai Lenine, and with unwilling ears listen to

[14] *Id.*, "Annual Address of the President," *Proceedings*, N. A. M. (1924), 115.
[15] *Ibid.*, 115–16.

the jingle of living wage and closed shop theories," President Edgerton concluded, "you will be further impressed by the magnitude and weight of the common task." [16] Perhaps the nation's earlier heroes could rest more secure in the knowledge that spokesmen for American business also cried for the replacement of the "imperfectly governed" mob by the Constitution as the source of government power.

As the legitimate source of government power in the United States, the Constitution may also be relied upon for a delineation of the proper scope of that power. And business leaders insist that the Constitution is essentially a limitation rather than a grant of power. James A. Emery, in his capacity as general counsel of the National Association of Manufacturers, affirms that the "Constitution of the United States contains far more limitations upon the exercise of power than it does grants of authority." [17]

The work of the wiser generation of 1787 was highly satisfactory to American business. "The people granted to their legislative branch nineteen powers and specifically denied them seventy." [18] Within these nineteen powers is all the authority that is needed to safeguard the national welfare by promoting the interests of business and checking the inroads of the multitude.

When government attempts to move beyond the narrow confines of these delegated powers, business leadership reacts with immediate suspicion. Apparently mild proposals for lobby legislation in 1930 were thus interpreted as an attempt to end freedom of speech and petition. Merle Thorpe explained to *Nation's Business* readers that under such legislation, "it is a heinous offense . . . for an American citizen to hire a hall to agitate for the establishment of right or the correction of wrong. No more public discussion. Minds once made up are fixed for eternity." [19]

In destroying the freedom of the private citizen, the provision for the registration of lobbyists would leave Congress with unlimited power. "The legislator becomes an autocrat and the repository of all knowledge," Thorpe continued. "Only he, through the use of government frank and the wide publicity which his title gives him in the press, can be trusted to undertake the formation of public opinion."

[16] *Ibid.*, 115.
[17] Emery, "Address of Mr. James A. Emery," *Proceedings, N. A. M.* (1923), 304.
[18] *Ibid.*
[19] Merle Thorpe, "When Reason Takes Wings," *Nation's Business*, XVIII (March, 1930), 9.

Business is imbued with too healthy a disrespect for the politician to tolerate the establishment of such autocratic power. Thorpe concludes with the lugubrious thought that

> Things have come to a heluva pass
> When a man can't cudgel his own jackass.[20]

Such an extreme interpretation of a proposal so innocuous on the surface might appear to the untutored to constitute an unwarranted counsel of alarm. But business organizations are keenly sensitive to the treacherous nature of government power. "The very first thing that a careful eye observes," President Edgerton warns, "is the overwhelming physical evidences of the expanding appetite of government for more power." [21] The informed citizen must be constantly alert to the ambition of government to break through the bonds so carefully forged in the Constitution.

Unfortunately, the average voter is almost completely oblivious to this threat. "The popular mind does not readily grasp the fact that the appetite of government for power expands with feeding far faster than do its muscles develop for the increasing weights of responsibility." [22] In point of fact, the "most thoroughly corrupt and irresponsible municipal governments in our land today are those which have ridden to the summits of power in dazzling chariots of seductive charity purchased with the blood of the very people who applaud their splendor."

Power in government is all the more dangerous because of the tragic tendency of the masses to embrace their oppressors. With the "expanding appetite" of government thus whetted by deluded majorities who envision themselves as fellow beneficiaries rather than as victims, constitutional limitations are in constant danger. "So it is that the generally putrid character of the more conspicuous of American municipal governments to-day constitutes the most ominous threat to our nation's political future," President Edgerton avers. "It is only a relatively short distance from these centers of local putrefaction to the state seats of government, and from them to the national capitol—and the roads between them are well-paved, luridly lighted, and much travelled." [23]

[20] *Ibid.*

[21] John E. Edgerton, "Annual Address of the President; Points to Ills of National Groups," *Proceedings, N. A. M.* (1927), 12.

[22] *Id.*, "Annual Address of John E. Edgerton," *Proceedings, N. A. M.* (1930), 17.

[23] *Ibid.*

The ease with which majorities can be awed by the "dazzling chariots" of power obliges the informed minority to exercise greater caution than would otherwise be necessary. George E. Roberts noted that "to most men the government of a great country seems to embody so much power that illusions about what it can do are quite natural." [24] But every power of government to serve inescapably involves an equal power to oppress the public.

The fundamental importance of this consideration is manifest in the business approach to the proposed child labor amendment. Noel Sargent, manager of the employment relations department of the National Association of Manufacturers, summarized the proposal in this fashion: "The amendment gives Congress 'power to limit, regulate or prohibit' the 'labor' of all persons, boys and girls, under 18. 'Labor' according to 'the law,' applies to nearly every form of physical effort which is not recreation or play—all work or 'chores' about the house, sewing, washing, vacation work, selling papers, gardening, driving, paid or un-paid, etc. How many parents realize this?" [25]

Sargent recognized that proponents of the measure were not avowedly concerned with this type of family activity, but the power to control it was inherent in the authority to regulate more questionable forms of child labor. "It will be said, of course, that Congress would never do the foolish things we have mentioned. Has Congress never in the past done foolish things? . . . Can we predict the degree of foolishness of future Congresses?" To this question the business theory could offer only one answer: "No one can successfully predict the conduct of Congress."

Although the behavior of Congress is not perfectly predictable, one will not go far wrong by expecting the worst. "Experience indicates that Congress promptly employs new power," Sargent suggests. "It was urged that the Sixteenth Amendment should be enacted in order that the Government might possess the power to levy an income tax during an emergency like war. No sooner was the power granted than it was exercised in time of peace, and to an unanticipated degree." [26]

Were the power of business rather than of government involved,

[24] George E. Roberts, "Things to Tell Your Men: XIII—Government Does Not Pay Its Own Way," *Nation's Business*, XIII (April, 1925), 52.

[25] Noel Sargent, "Employers and Child Labor Bill," *American Industries*, XXV (February, 1925), 21.

[26] *Ibid.*

the complexion of the problem would be completely changed. Indeed, it has already been argued, in connection with government regulation, that powers once abused should be returned to the railroads.[27] The contrast between the safe scope of political and economic power could nowhere be more effectively illuminated, however, than in relation to the child labor question.

On the putative need for a child labor amendment Sargent submits that "the mere fact that a law prohibiting something does not exist is not proof that there is any need for such law. Do we need a law forbidding the average individual to swallow swords?" The problem of child labor is similar. "Is your life endangered on a train run by an engineer under 16 years of age? Do we need a Federal amendment because in 29 States it may be so menaced?" Sargent is not one to be frightened by such an improbable contingency—"as for ourselves, it is even possible for us to admit that the railroads have enough 'common sense' not to employ immature youths to run trains." [28]

Public power is considerably more intimidating. "It is no reflection on our constitutional system as a whole to say that Congressmen may not act wisely," Sargent insists; "we simply say that human nature, unchecked by self-imposed and definite limitations, often causes men to do things for expediency or because of misknowledge or lack of knowledge, which we later repent but can undo, if at all, only after great loss, waste and delay." [29]

The frailties of human nature, compounded by ignorance and the temptations of expediency, are too conspicuously operative in government for it to be trusted with any power that is susceptible to abuse. "It is for this very reason that our Constitution imposes checks on both state and national governments, whose control at any given moment is vested in elected representatives the will of whose constituencies may be completely reversed at the next election."

The constant tendency of government to grasp for more power, coupled with its responsiveness to fickle majorities, eloquently attests to the foresight of those who framed a constitution of limitations. "The test of a power lies not in how it is probable it may be exercised, but, rather, in the things which can be done under it." [30]

[27] See p. 143, *supra*.
[28] Sargent, "Employers and Child Labor Bill," *loc. cit.*, 20.
[29] *Ibid.*, 21.
[30] *Ibid.*

One may still ask why the business theory is so exacting in confining the scope of government power and so generous as regards private power. The test of *all* power cannot lie in its possible rather than probable use or the railroads could not be granted another opportunity to wield the power they had previously abused. The double standard of judgment involved here reflects a point of view that is fundamental, not merely to the organized portion of the business community, but to American theory as a whole.

Geoffrey Gorer, the British anthropologist, has described as a basic trait of American character this tendency to distinguish between public and private power, or—as he would put it—between "authority" and "power." "Control over people—authority—is always morally bad; control over things, or abstractions envisaged as things (natural resources, goods, services, money, chattels)—power—is morally neutral and even, within certain ill-defined limits, highly praiseworthy." [31]

The power of government alone can never escape the stigma of authority: "The concept of moral contamination helps to account for the generally contemptuous attitude of Americans toward their government, whatever the group in office. . . ." So deep-rooted is this attitude that the anthropologist sees it as "more an emotional than a strictly rational one," to be understood as "a deeply sincere, quasi-religious moral attitude, as little susceptible to rational argument as the Hindus' aversion to killing cows." [32]

The business theory of power may be more readily appreciated as a part of this general American tradition. Economic institutions are viewed as wielding power primarily over things rather than people. Their impersonal character therefore serves to free them from any taint of the master-slave relation which is always a potential result of the more personal authority vested in government. But business spokesmen offer a much more systematic defense of this concept than is suggested by Gorer's picture of a purely emotional orientation. At least three convincing arguments are marshaled to support the idea that the citizen's fear of power may be concentrated exclusively upon government.

In the first place, economic power is more truly democratic than

[31] Geoffrey Gorer, *The American People: A Study in National Character* (New York, 1948), 39–40.
[32] *Ibid.*, 36, 37, 40.

political power can ever be. "Election day in the United States? It is today and tomorrow, the next day, and the day after that," George E. Roberts asserts. "It is every day. We are continuously carrying on a great national election in this country." [33]

The continuous referendum in the United States is economic rather than political: "The 'voters' are the people who spend money for goods. Their dollars are their votes. By the aid of prices the people 'elect' the producers who will serve them; they also 'elect' the kinds of goods to be made and the amount of employment for the wage earners. By the aid of prices the people decide what industries shall have capital; they determine who will make profits and who shall go 'broke.' " The power of business thus becomes nothing more than the power of the people. "In short the people organize and direct the whole business and industrial system." [34]

To highlight the democratic character of this process one need only compare it with the formal mechanism of government power. "In a presidential election you cannot vote for any man that pleases you; in the last election, for example, you may have wished to vote for Mr. Hoover or Mr. McAdoo for president." Such a preference could not be registered, however, because of the limited nature of political competition. "You had to vote for Mr. Coolidge, Mr. Davis, or Mr. La Follette or not vote at all." No such restriction applies against the economic electorate. "You vote exactly as you want to. The price system is democratic—the most democratic ever devised." [35]

The suffrage is universal under economic democracy in the sense that everyone is eligible to vote. The only limitation in practice derives from the fact that the individual's "dollars are his votes," [36] so that anyone who happens to be without money cannot vote. This device serves both to disqualify the inferior and to permit a type of plural voting in which the individual's influence varies directly with his demonstrated capacity. Popular control through economic democracy thus carries no implication that men are basically equal and becomes perfectly compatible with the business concept of the nature of man.[37]

Lord Bryce once lamented that democracy could never reach a

[33] George E. Roberts, "Things to Tell Your Men: X—Price, the Basis of Industry," *Nation's Business*, XIII (January, 1925), 54.

[34] *Ibid.* [35] *Ibid.* [36] *Ibid.*, 56.

[37] See Chapter II, *supra*.

state of perfection without some form of continuous referendum to hold public power permanently and constantly subject to public opinion.[38] Infeasible and probably undesirable in the political sphere, Bryce's ideal has actually been achieved in the economic. In this sense, "it can be said that modern competitive business is more democratic than most governments that go by this name, and that the 'voter' with his dollars has powers that he has not yet gained by years of political struggles extending up through the centuries." [39]

A second feature of economic power which renders it less suspect than that of government is the fact that it operates within a constitution that no mob can amend and no demagogue can abuse. "Economic laws operate without fear or favor," Merle Thorpe attests. "They cannot be repealed to save the ignorant or the sluggard." [40] In economic law one finds the highest degree of that immutability with which business strives to invest the Constitution of 1787.

Economic processes are thus democratic and, at the same time, beyond repeal. Based upon a really permanent set of laws and responsive to a popular control weighted in favor of the superior, economic power does not require any pandering to the mass concept of "right." "There has been much discussion of this matter of the 'rightness' of price, as though something moral were involved," Roberts notes. Although it is "by the aid of prices" that economic elections are held, no question of "right," as popularly understood, is involved. "Morality does not enter into the subject of prices. . . . Prices are 'right' when people buy, when goods move." [41]

Business is thus freed from any compulsion to do what the inferior may, at the moment, regard as right. "Under this definition prices may be right and still not be low enough to enable the penniless to buy food." [42] So long as goods are moving, prices may be regarded as proper by those with economic power—and the penniless are disfranchised. Despite its democratic nature, economic power is not subject to the demands of the inferior in the same fashion

[38] See James Bryce, *The American Commonwealth* (New York, 1941), II, 262–63.
[39] Roberts, "Things to Tell Your Men: X—Price, the Basis of Industry," *loc. cit.*, 56.
[40] Merle Thorpe, "Don't Fumble the Torch!" *Nation's Business*, XVI (February, 1928), 9.
[41] Roberts, "Things to Tell Your Men: X—Price, the Basis of Industry," *loc. cit.*, 54.
[42] *Ibid.*

as is political power. It is therefore free to serve the long-range interest of the public.

Economic power not only has the advantage of being more democratic than political power and of operating within a constitution that keeps it free from abuse, but it is available to all. Why should anyone fear a type of power which he himself can expect to win? Here there is no restriction to two or three candidates: everyone can hope to attain some share of economic power.

"With a new merger changing the economic skyline of America almost every day, the man in the street may get a little dizzy looking up, but he no longer 'views with alarm,'" comments O. H. Cheney, vice-president of the Irving Trust Company. In addition to his knowledge that the merger is popularly controlled through economic votes, "the man in the low building next to the skyscraper" is reassured by a more exciting fact: "He is waiting to sell and become a newer and even higher skyscraper of industry." [43]

The person in the humble dwelling can expect to move on to greater heights because of the unobstructed character of the route to economic power. "There are no 'bosses' who control . . . votes, stuff ballot boxes, defeat [the economic electorate's] will through manipulation." [44] On the contrary, states President Grant of the Chamber of Commerce, "there has been unhampered and unhindered and unrepressed opportunity for the ambitious youth of this country to develop and express themselves to the fullest degree of which they are capable." [45]

Unlike government, business can never involve arbitrary power over other people. Should anyone resent the power of economic institutions, a simple solution is available: He can get some himself. This was the immediate reaction of William Feather, book review editor for *Nation's Business*, when he found such resentment in a widely read book. "Chase and Schlink are an irritating pair," he pronounced. "They are the authors of 'Your Money's Worth,' a book which pretended to expose advertisers as a gang of swindlers, engaged in selling ten cents' worth of bicarbonate of soda for $1.50. The business man's answer to Chase and Schlink's book is:

[43] O. H. Cheney, "Even the Big Can't Stand Alone," *Nation's Business*, XVII (1929), 15.

[44] Roberts, "Things to Tell Your Men: X—Price, the Basis of Industry," *loc. cit.*, 56.

[45] Richard F. Grant, "Then There's the Case for Management," *Nation's Business*, XIII (March, 1925), 42.

" 'If you can sell ten cents' worth of bicarbonate of soda for ten cents and make a profit why don't you go into business for yourselves and do it? Are you interested in making money or are you just trying to Do Good?' " [46]

There is one basic concept which appears to underlie every idea of business spokesmen on the locus of government power: Power should be removed as far as possible from the influence of majorities. Since the masses remain as turbulent as Hamilton found them, power must be placed in those agencies of government furthest removed from popular excitement. The lines of business thought may then return much more closely to their parallel with the Federalist position. Once power has been sterilized of popular contamination, all of the "energy" in administration that Hamilton could have desired becomes appropriate.

The political party, interpreted by some students as the most essential agency for the mobilization of government power,[47] does not qualify in the business theory for such an important role. The same fear of concentrated popular power which wrote an antiparty bias into the United States Constitution [48] is manifest in President Edgerton's rejection of party government. "With the common run of representatives . . . it has ceased to be a question of what is good for the country, what is American, or what is constitutional. It is rather what is best for the party and for his own political self-perpetuation. The answer to that question usually determines his position with respect to any subject of consideration however important." [49]

Behavior determined by party or popular control cannot be expected to issue in "American" or "constitutional" policies: party interest is antithetical to public interest. President Edgerton assesses the contribution of party government with the comment that "this spirit of unsportsmanlike contest for the plaudits of the crowd has been and is now the prolific breeder of all sorts of vicious legislation, and the chief obstruction to a sane consideration and enactment of measures consistent with the genius of our established institutions and for the benefit of all the people." [50]

[46] Feather, "Why Boast of Not Making Money?" *loc. cit.*, 119.

[47] For the most forceful presentation of this point of view, see E. E. Schattschneider, *Party Government* (New York, 1942).

[48] See *ibid.*, 6–11.

[49] Edgerton, "Annual Address of the President," *Proceedings*, N. A. M. (1924), 112.

[50] *Ibid.*, 112–13.

The business rejection of party government thus implies no difference from the "pro-party" theory as to the central feature of party politics. Business spokesmen would find little reason to dissent from the conclusion of the American Political Science Association's committee on political parties that the vesting of power in the agency most successful at winning crowd support is the decisive factor in party government.[51] But it becomes, in the business theory, the basis of condemnation rather than acceptance. Business spokesmen find more enduring wisdom in the remark of an earlier political scientist, James Madison, that "the public good is disregarded in the conflicts of rival parties, and . . . measures are too often decided, not according to the rules of justice and the rights of the minor party, but by the superior force of an interested and over-bearing majority." [52]

If the political party is not the agency for the articulation of the public interest in government, what is? One possible answer is found in President Barnes's suggestion that organized business might well replace the political party as the force directing the machinery of government. If government officials ever learn to respond to the disinterested counsels of business rather than to party appeals, "organized business, free of any partisan or political color, will become a great continuous force of stability for the nation, will be able to assist in projecting a sound and stable form of government through changing administrations and shifting political parties." [53]

Both the instability and the unsportsmanlike character of party government could be eliminated in this fashion, but business leaders realized that it must await a thorough-going and improbable change of heart on the part of politicians. Meantime, more practical expedients must be devised to reduce the political character of government power. Proposals to this end may be subsumed under two general themes: (1) the nonpartisan expert offers a safer repository of power than the politician; (2) the most important check in the indispensable system of checks and balances is that afforded by an independent judiciary.

During the 1920's any power vested in Congress was rendered suspect by its political nature. Jules S. Bache, impressed with the fact that "in Washington there is no real objection to the sales tax

[51] See *American Political Science Review*, XLIV (September, 1950), Suppl., Pt. 2.

[52] Hamilton, Jay, and Madison, *The Federalist*, No. 10, p. 54.

[53] Barnes, "The Road to Better Times," *loc. cit.*, 115–16.

beyond the necessity of explaining it politically," emphatically states the business objection to the location of such basic power in a politically dominated Congress: "I regret very much to inject politics into taxation. Taxation should never be a question of politics. It is the gravest mistake in the world that our political representatives in Washington have anything to do with our taxation." [54]

Since politics was so conspicuously involved in the work of Congressmen, the complicated tax problem constituted "an unfair task and . . . an unfair demand to put upon them." [55] The editors of *American Industries*, sharing Bache's reservations about Congress, naturally preferred to have such power subject to expert administrative direction of the type offered by Secretary Mellon. Noting a "growing suspicion that there will be no tax reduction law [in] the present Congress," a 1924 editorial lamented that "the plans proposed by Secretary of the Treasury Mellon, after precise study and computation made by government actuaries—the men perhaps best qualified to determine the real worth of a tax measure and its influence on the Federal revenues—will be defeated, or so manipulated that the resultant product will be a questionable measure insofar as its practical help to the country is concerned." [56]

President Edgerton clarifies this preference for the expert in connection with a conflict between Congress and the naval establishment. "I must confess that in such a disagreement I believe the manufacturers of the country must accept the judgment of naval experts rather than that of legislators of limited experience . . . ," he maintains. To follow the former is to vest power in "the trained judgment of technically qualified officers of high ability and life-long experience upon whom devolves the high responsibility of Naval Defense." Such a professional responsibility is so superior to crude political responsibility that "to surrender their opinion to that of a committee with a temporary relationship to the subject is to question the whole value of our Naval establishment." [57]

It should be noted that in these arguments business is not attacking Congress as such, but the wisdom of placing important power in

[54] Jules S. Bache, "Upholding of Business Dependent Upon Future Taxation Policy," *Proceedings, N. A. M.* (1921), 64–65.

[55] *Ibid.*, 65.

[56] "Will We Have Tax Reduction?" *American Industries*, XXIV (March, 1924), 5.

[57] John E. Edgerton, "Maintaining a Navy for Peace," *American Industries*, XXII (May, 1922), 24.

any agency governed by political considerations. During the 1920's, several bureaus in the executive branch were deemed to be sufficiently nonpolitical to offer a more appropriate locus of power than Congress. Were the executive agencies rather than Congress suspected of responding to popular clamor, however, the business position could be expected to shift.

As Bache suggests, it would be quite different if "the Congressman himself, instead of dreading to face his constituents, because he may have voted for a taxation that may be unpopular until it is tried, should be leader enough to go out and tell his constituents that he voted for it because in his judgment it was the best thing that could happen to them." [58] The fundamental element in this aspect of the business theory is not an anticongressional but an antipolitical point of view. Wherever he may be found, the statesman is to be preferred to the politician.

Largely because of the assumption that the frequency of statesmanship in government varies directly with the distance between people and power, business leaders heartily endorse the theory of checks and balances. "If there shall be a Gibbon to write the Rise and Fall of the American Republic," President Edgerton predicts that "the second part of his gloomy story" will be dedicated to the degeneration of the system of checks and balances. "He will recite the fact that the ablest and wisest body of men who ever met for a political purpose intended, by the very manner of their creation, that the Senate branch of our Congress should forever be an effective check upon the House of Representatives." [59]

The care with which the Founding Fathers distributed authority was based upon an insight into the problem of power fully shared by business spokesmen. "They were conscious of the presence within their own company of a few of the same political off-breeds as we find today in larger numbers among those who undertake similarly constructive works,—men who are identified by their blatant contempt of history, their swaggering appeals to the mob spirit of the crowd, and their noisy consort with those elements in every nation who ever think and talk of getting and never of giving." [60] But the

[58] Bache, "Upholding of Business Dependent Upon Future Taxation Policy," *loc. cit.*, 64.

[59] Edgerton, "Annual Address of the President," *Proceedings, N. A. M.* (1924), 112, 113.

[60] *Ibid.*, 114.

sanctity of their scheme had been violated by the very "political offbreeds" against whom it had been planned.

Unreconciled to direct primary elections and the popular choice of Senators, President Edgerton maintains that the "historian of our decline will show how far and under what disintegrating influences we have drifted from those standards; how this carefully drawn line of demarkation between the two houses of Congress has been almost blotted out by the gloved hand of the socialist. . . ." The wisdom of the original plan to erect in the Senate a check upon the more popular House is clearly reflected in the circumstances attendant upon its alteration. "By means of the direct primary and other devices it [socialist reform] has almost transformed the legislative department of our government into a mere sounding board to catch and throw back the babel voices of the mob." [61]

The one place in the 1920's where there was not the faintest echo from the "babel voices of the mob" was the Supreme Court of the United States. Here, then, one may expect to find the safest repository of power and, at the same time, the most important check upon the power of agencies more responsive to the demands of the crowd. As Martin Van Buren once said of the Federalist party when it had witnessed an earlier injection of mob spirit into Congress, so one might say of organized business, that it looked "to the judicial department of the Government, as to an ark of future safety which the Constitution placed beyond the reach of public opinion." [62] The American system might yet sustain the loss of an independent Senate, but it could never survive a comparable loss of independence in the Supreme Court.

One could hardly conceive of anything that would have distressed the business community more than the recognition that "this same blighting hand [of the socialist], trained in the arts of destruction, is at this moment trying to fasten its shadow fingers upon the very throat of our judiciary system." Having made the legislature a "mere sounding board" for public opinion, "if it can now emasculate the judiciary by the injection of a spurious democracy, the last citadel of our liberties will be reduced to smoking ruins, and the way will be

[61] *Ibid.*

[62] Martin Van Buren, *Inquiry into Origin and Course of Political Parties in the United States* (New York, 1867), 277–78.

prepared for the triumphal entry of the soviet king waiting just outside the gates." [63]

The fallacies in two of these proposals for "democratizing" the judiciary are exposed by James A. Emery. To the suggestion that Congress be allowed to repass any measure over the judicial "veto" just as it does over the executive veto, he retorted, "The logic of that is that if the sneak-thief took your pocket-book once it is a crime. If he did it over again it is a virtue." Somewhat less absurd is the proposal that a majority of seven justices be required to invalidate an act of Congress. But the plausibility of this scheme simply renders it the more dangerous in view of the fact that "it is an attempt to destroy the majority principle in the judicial department of the Government." [64] The idea of simple majoritarianism should certainly not be applied by the people to their government as a whole, but it must be retained as an internal practice of the judiciary lest the strength of the court vis-à-vis other branches decline.

The reaction of business spokesmen to these proposals well supports the prophetic nature of Brooks Adams' appraisal. "I find it difficult to believe that capital, with its specialized views of what constitutes its advantages, its duties, and its responsibilities, . . . will ever voluntarily assent to the consolidation of the United States to the point at which the interference of the courts with legislation might be eliminated. . . ." [65] In this point of view President Edgerton enthusiastically concurs. "If there ever was anything against which the solid citizenship of our country should hurl the full weight of its merciless resistance, it is the impudently recurring attempts of charlatans in various disguises to weaken the arm of our courts by cunningly drawn statutes and amendments to the constitution," he asserts. "Such attempts, under whatever name or pretense made, should forever be sufficient to discredit as enemies to their country those who have had the audacity to make them." [66]

Emery states the business position somewhat more dramatically: "I believe . . . that whenever that issue comes before the tribunal of American thought that the ultimate answer to it will be a repe-

[63] Edgerton, "Annual Address of the President," *Proceedings, N. A. M.* (1924), 114.
[64] Emery, "Address of Mr. James A. Emery," *Proceedings, N. A. M.* (1923), 305.
[65] Brooks Adams, *The Theory of Social Revolutions* (New York, 1913), 219.
[66] Edgerton, "Annual Address of the President," *Proceedings, N. A. M.* (1924), 115.

tition of the great statement made by an American general at the tomb of a Frenchman of whom we are forever a debtor, 'Lafayette, we are here!' " [67] The events of the 1920's no less than of the 1930's suggest the accuracy of this prediction, particularly as applied to the business community.

What is the concept of the judicial function which business stands poised to defend? The essence of the judicial function is found in the constitutional, as distinguished from the political, settlement of fundamental questions. "In any collision that may occur today between agents of the people, and the people themselves, which raises a question of individual, personal or property right, we have provided for the ultimate determination of that question by a judicial process, and if it should be shown that the permanent will of the people, expressed in their written constitution, is in conflict with the temporary declaration of their agent, which shall survive—the permanent will expressed in the written instrument, or the temporary act of the temporary representative?" [68]

The addition of an extra tribunal in which public policies are subjected to judicial analysis may indeed be described as America's greatest contribution to the art of government. In this vein, the National Association of Manufacturers unanimously resolved in 1923 that the "unique characteristic of our government, the indispensable interpreter of our written Constitution, is found in our Federal Supreme Court." [69]

Ultimately, it is to the Supreme Court that the business leader looks for the protection of interests against numbers. Without this protection the entire structure of American civilization would crumble.

> Upon the continued existence and exercise of that power rests the final security of every right of person or property to protect which the people wrote seventy prohibitions against their legislative branch into their organic law. Today it is proposed to impair or destroy that power and lodge in the legislative department the final right to determine the limit of its own power. The adoption of such a plan would create a Congressional autocrat. For the acid test of free institutions is the adequate protection of minority right. This is the chief purpose of a written Constitution. A popular legislature which was the final judge of its own authority would know none.[70]

[67] Emery, "Address of Mr. James A. Emery," *Proceedings*, N. A. M. (1923), 308.
[68] *Ibid.*, 304.
[69] "Resolution on Judiciary," *Proceedings*, N. A. M. (1923), 311. [70] *Ibid.*

Contempt for the "voices of the mob" coupled with this exaltation of minority rights in the business theory lends weight to the conclusion of Brooks Adams that "the capitalist . . . regards the constitutional form of government which exists in the United States, as a convenient method of obtaining his own way against a majority." [71] In accepting this judgment, however, one must note that the business spokesman regards himself as seeking "his own way" against a majority, not in any narrow sense, but as identified with the "American Way" as a whole.

Certainly, such an interpretation finds strong support in the stirring message of the Honorable Ben W. Hooper to the National Association of Manufacturers in 1923.

> The legislative branch of the government, of brief and uncertain tenure, subject to the wild blasts of sudden and fleeting popular passion, might, by a majority of one, pass a law that undermined the most sacred constitutional safeguard of human liberty, and that majority might be composed in part of radicals elected by European bolsheviks in New York, Chicago or Milwaukee. Speaking, as I believe, the sentiments of the great masses of the American people away from the metropolitan centers of population, the people who hold in reverence the traditions of our Republic, . . . the people who do not give a tinker's dam for the voting strength of all the flannel-mouthed agitators and malcontents of your cities, speaking, I say, for these—our country is not yet ready to curb, hobble or handicap the Supreme Court of the Nation in order that the Constitution, the bulwark of our liberties, may be subverted and broken down. (Applause.) [72]

Temporary legislative majorities are not to be trusted, especially when one considers that each radical counts as heavily as each true American in their election. The power of the judiciary is of a purer sort. The Supreme Court must accordingly be protected as the one place where constitutional principles may be preserved against the voting strength of malcontents.

If, as Professor Ralph Henry Gabriel submits, "the Supreme Court emerged as an institution which enabled men to believe that they could establish their social structures upon the rock of fundamental principles," [73] the business theory simply sketches in bolder outline a pattern of belief common to American theory in general.

[71] Adams, *The Theory of Social Revolutions*, 214.
[72] Hooper, "Address of Honorable Ben W. Hooper," *loc. cit.*, 347–48.
[73] Ralph Henry Gabriel, *The Course of American Democratic Thought* (New York, 1940), 407.

The drive for economic progress is complemented by an equally basic desire for political permanence. The National Association of Manufacturers accordingly concluded its tribute to the judiciary in 1923 with a salute to the three types of independence through which it hoped to assure, whatever the shifts in popular thought, perfect political stability. "The judiciary of the United States: independent of party, independent of power, independent of popularity." [74]

[74] "Resolution on Judiciary," *Proceedings, N. A. M.* (1923), 312.

[XII]

Politicians and Statesmen

THE elite strain in the business theory serves to put a premium upon leadership, but business spokesmen are unable to find the requisite qualities of such leadership in government rulers. Although there were a few conspicuous exceptions during the 1920's, political leaders as a class are an unsavory lot. If politicians are, like government, a necessary evil, the emphasis in their case is even more unmistakably upon evil than necessity.

The characteristics of the political leader are basically determined by the requirements for success in politics. What qualifications must the aspiring ruler possess? The answer of the National Association of Manufacturers and the Chamber of Commerce to this query has been presaged in their disenchanted view of the mass roots of political power. "In the average American community and as a general rule, that person has the best chance for public office who has displayed no qualifications for it except the gift of a smoothly running tongue, the ability to make the most glittering promises of what he will do for the so-called down-trodden, tax-ridden masses, and the facility with which he can denounce the damnable corporations, trusts, combines, and plutocratic interests." [1]

If the requisites of success are nothing more than a superficial forensic skill combined with a willingness to pander to the masses and to condemn the elite, it is obvious that the highest type of talent will not be attracted to a career in politics. The unfortunate but inevitable result is pictured by Charles N. Fay: ". . . as politics requires little more than a glib tongue and some activity (for no great education, or character, or skill is needed to urge fifty or a hundred neighbors to vote for this or that man for alderman or county commissioner), and as politics is the sort of occupation that

[1] Edgerton, "Annual Address of the President," *Proceedings, N. A. M.* (1924), 110–11.

appeals to men who would rather agitate than work, our politicians become a distinctly cheap and parasitic class." [2]

Since work constitutes the only route to greatness, one can expect to find in the average politician nothing more than a "small gauge fellow." [3] Despite an occasional exception, then, the general expectation of the business spokesman is that "neither high intelligence nor leadership is to be found inside governmental bodies." [4] Under these circumstances it is easy to appreciate the dejection of one business leader who laments with Disraeli that the "world is wearied of statesmen whom democracy has degraded into politicians." [5]

Possessed of Machiavellian cunning, the politician is completely devoid of the redeeming strength of will associated with the Florentine's Prince. Thus, although success is the only criterion of ability in the economic field, the converse is true in politics. "It must be kept in mind," President Edgerton warns of the politician, "that as a rule those who crave and seek power most are the least fitted to exercise it wisely and justly." [6] Democracy has so degraded politics that it would be completely fallacious to assume, as one can for business, that the attainment of success proves the recipient to be deserving.

Why does the ruler in government emerge as such a "cheap and parasitic" figure, whose lack of worth is proved by his very ambition for office? At base the answer is found in the polluted source of government power, in the necessity to pander to the passions of the mob. Two corollary reasons may be cited, however, which serve to complete the explanation.

In the first place, the more competent members of society are dedicated to the pursuit of wealth. As Alfred H. Mulliken explains, "This situation has enabled the third-rate men to become prominent [in politics] because they have not had first-rate men to compete with." [7] The absence of competition from those with real ability is, of course, seized upon by those who find themselves better equipped

[2] Fay, *Business in Politics*, 18. Although the reference here is to local politicians, the description is applied at every level.

[3] *Ibid.*, 23. [4] Feather, "What I've Been Reading," *loc. cit.*, 160.

[5] W. H. Onken, quoted in "Shall Politics Rule Our Resources?" *Nation's Business*, XV (May, 1927), 52.

[6] Edgerton, "President Edgerton's Annual Address," *Proceedings, N. A. M.* (1923), 115.

[7] Alfred H. Mulliken, "Pay Public Officials According to Ability," *American Industries*, XXV (October, 1924), 7.

to talk than to work. "There are too many men seeking public office who are not qualified and who have failed in other walks of life," H. C. Osborn submits. "As a rule they must have a job and they will promise anything to any one in order to get votes and to get on the public payroll." [8]

In the second place, there is no reliable test of fitness that can be applied to ambitious politicians. The vagaries of the electoral process are so conspicuous that "the power of the political demagogue to confuse and mislead great numbers of people is well known." George E. Roberts concludes that what is lacking is an economic test of ability, akin to that available in the business sphere. "In the business world today the positions of leadership and responsibility are held by men who have been advanced to them under a system of competition and elimination. The test of fitness is an economic test, a test of ability to produce economic results." The superiority of this procedure is attested by the impossibility of applying to political rulers who have risen from the bottom rung of machine politics the same observation which one can make about economic leaders: "The fact that as a rule the men in positions of responsibility have come up from the ranks is proof that the system is fundamentally sound and effective." [9]

Not only is the character of the politician almost uniformly uninspiring, then, but there are good reasons why this condition can be expected to prevail. William Feather, in contemplating such a disenchanted portrait of the political ruler, notes that "the picture is ugly, but if you are a realist you will not be offended." A more legitimate query is worth answering, however. "You will probably wonder what causes government to function as well as it does considering the caliber of the human material in charge." A candid answer to this challenge constitutes the most damning possible indictment of political rulers. "The only explanation I have been able to make is that most of the constructive work is done by lobbyists who represent business and humanitarian interests. These people, whether their motives be selfish or unselfish, know what they want. They write the laws, check the budgets, conduct surveys, and finally bring order out of chaos." [10]

[8] H. C. Osborn, "Don't Kick Unless You Cast Your Vote," *ibid.*, 12.
[9] Roberts, "Things to Tell Your Men: XIII—Government Business Does Not Pay Its Own Way," *loc. cit.*, 52, 54.
[10] Feather, "What I've Been Reading," *loc. cit.*, 224.

The most essential qualifications which business leadership seeks in government rulers—and fails to find in its unhappy analysis of the actual character of the politician—are functional competence and personal integrity. As William Feather puts it, the ultimate goal is government "by the strongest and the wisest." [11] The need for strength and wisdom is the more intensely felt because of their conspicuous absence in the typical politician.

If the search is for qualifications that will produce government by the strongest and wisest, one must turn to the elite for a model against which to judge prospective rulers. Charles Fay states the case quite simply: the qualifications of a good officeholder will be the same as those of a corporation director—he must be rich, educated, and experienced in leadership. It is the deficiency of the politician—and, for that matter, of the voter—in these essentials that explains his inability to achieve a high level of either functional competence or personal integrity.[12]

To rely upon the elite as a model is, of course, to establish a standard impossible of realization unless one turns to the elite itself for political rulers. And this is precisely what business spokesmen propose. In view of the fact that the talent of the economic elite was found to be universally transferable,[13] there can be little doubt as to its competence in the realm of political leadership. "The injection of government into business, and the almost total absence of business in government, have conspired to produce a situation fraught with grave dangers to our prosperity and progress," Francis H. Sisson warns.[14]

Any separation of politics and business thus must operate as a one-way maxim. The very disparity in talent which makes government interference with business so dangerous renders the reverse influence beneficent. "Without regard to party affiliation or political precept," Sisson argues, "the crying need of the hour is a business government for a business people. . . ." [15] Business leaders are, after all, the only group that has had experience in large-scale ventures, proved its ability, and risen above petty temptation in the process of becoming rich.[16] "Unless a man is successful in business

[11] *Ibid.*, 160.

[12] Fay, *Business in Politics*, 13–14, 71.

[13] See Chapter II, *supra*.

[14] Francis H. Sisson, "What Are the Dangers if Inflation Continues?" *Proceedings*, N. A. M. (1920), 240.

[15] *Ibid.*

[16] Fay, *Business in Politics*, ix–xi.

or professional life," H. C. Osborn concludes, "he is certainly not capable of running the Government." [17]

The nature of the few real statesmen in public office serves to give added force to the business argument and added substance to the portrait of the ideal ruler. During the 1920 Presidential campaign, for example, Warren G. Harding evinced the desired political stature through the pages of *Nation's Business* with the pronouncement that "this is essentially a business country." From their common premise he drew the same conclusion that marks the business theory: "That is why we need business sense in charge of American administration. . . ." [18]

The implications of this point of view were of tremendous importance to the business community. "We must get back to the methods of business, without the hampering restrictions and bullying methods that have been so extensively introduced," Harding submitted. "Instead of suspicion and hostility which in recent years have marked the relations between autocratic government and business, we must introduce a spirit of mutual interest, of understanding and of willingness to co-operate." [19]

Two years later *Nation's Business* noted with warm approval the steps of Attorney General Harry M. Daugherty to implement this program. "It is the desire of Attorney General Daugherty to help, and not to harass business," the article begins. "So long as he remains as the directing head of the Department of Justice, he declares Uncle Sam will forego the once popular pastime of muckraking. Sleuths are not to be sent snooping around into the high-ways and by-ways of commerce in search of well-meaning officers or members of trade associations who, from ignorance of the law, may have fractured one of the many provisions of the well-known, but little understood, Sherman Anti-Trust Act." [20]

In terms of his own position, Daugherty expressed the point of view of an administration of "business sense." "Business has a conscience; business as a whole is inherently honest, and so long as I am Attorney General I am not going unnecessarily to harass men

[17] Osborn, "Don't Kick Unless You Cast Your Vote," *loc. cit.*, 12.

[18] Warren G. Harding, "Business Sense in Government," *Nation's Business*, VIII (November, 1920), 13.

[19] *Ibid.*, 14.

[20] "Keeping Business Out of Jail," an authorized interview with the Attorney General of the United States by a member of the staff, *Nation's Business*, X (November, 1922), 11.

who have unwittingly run counter with the statutes." One could argue that Daugherty's subsequent refusal to testify in connection with the Teapot Dome scandals under cover of his constitutional right against self-incrimination confirms the accuracy of the business analysis: his aim was described as the establishment of conditions under which "litigation will be reduced to a minimum." [21]

The business ideal of political leadership most nearly approached complete realization in the presidency in 1928. In the first place, business prosperity had so completely captivated the nation that politicians were forced to forswear the usual demagogic attacks upon business. Merryle S. Rukeyser reported that "the Democratic Party has fought hard to prevent the Republican Party from taking exclusive possession of the prosperity issue. John J. Raskob [candidate for the vice-presidency] was borrowed from the General Motors Corporation as a symbol that a Democratic victory would not mean hard times. . . . The Democratic platform itself is a bid for business support." [22]

Despite these reassurances, however, Rukeyser concluded that "many men of business think that a change of party might be slightly disturbing to confidence." This preference is easy to understand in the light of the same analyst's postelection comments upon President Hoover. "For generations the enterpriser has yearned, 'Oh, if we only had a business man in the White House,' " he notes. "The hope has at length been fulfilled. Mr. Hoover, the engineer in politics, is a business man—plus." The constructive results to be expected from this achievement would be hard to exaggerate. "The mere fact that the President is an expert in the realm of business inevitably modifies the character of the business cycle." [23]

Truly great leadership of the sort offered by President Hoover unfortunately remains the exception in government. The very characteristics that stamp the business leader as best qualified for public office usually reduce the possibility that he will be found there. The true portrait of "the business man of today" is painted for readers of *Nation's Business* by Mary Garnett Thorpe: he emerges "mature, cultivated, sure of himself in every relation of life, accepting leadership as by natural right, a man never stooping to bluster or

[21] *Ibid.* [22] Rukeyser, "What the World of Finance Talks Of," *loc. cit.*, 167.
[23] *Id.*, "Mr. Hoover's Business Mind," *Nation's Business*, XVIII (May, 1930), 29.

brag because he never feels the need of it." [24] Even when such a figure could overcome his revulsion for politics,[25] it is not easy to picture self-assertive majorities rushing to his support.

"It is entirely too lonesome in Washington for a man like Mr. Mellon," President Edgerton reported in 1924. The explanation reveals the difficulties that the superior person must encounter in politics. "When the political perverts discovered that he was a man of an eminently successful business career, they let go their dogs of war upon him, arguing in effect that his very qualifications disqualified him for office." The low level of the politicians' experience and motives is manifest in their perverted judgment: "To them the idea is ridiculous that anybody should be willing to make substantial sacrifices for the privilege of rendering public service." [26]

The basic objective of the attack upon Secretary Mellon was obvious. "Of course the whole diabolical scheme of opposition to his tax proposals is to make it so uncomfortable for men of his demonstrated ability and high-mindedness to occupy public office that they will be discouraged from making the sacrifice. But we ourselves must not be disheartened or slacken our efforts to persuade other citizens of the type of Mr. Mellon to give the country the advantage of their disinterested service." To enjoy the advantages of rule by true statesmen—"the strongest and the wisest"—one can only look to the elite itself.

> We should have, must have more men in Washington who will not be there to serve their own necessities resulting from failures in their own professions or trades. . . . All of the textile experts and wizards in chemistry, engineering, and construction, would testify to the truth of Mr. William Shakespeare's sage remark that "a silk purse cannot be made out of a sow's ear." Yet the citizens of this country, heedless of the warnings of history and of all the wisdom of the past ages, keep right on trying to make statesmen out of politicians, and expecting to gather cocoanuts from peanut vines.[27]

Despite their deep dedication to the established American pattern, business spokesmen were so repulsed by the disparity between

[24] Mary Garnett Thorpe, "Up from the Villain's Role," *Nation's Business*, XVIII (February, 1930), 184–85.

[25] See Chapter II, *supra*.

[26] Edgerton, "Annual Address of the President," *Proceedings*, N. A. M. (1924), 110.

[27] *Ibid.*

the real and ideal character of political leaders that they felt a strong attraction for some aspects of authoritarian leadership. The ambivalence of their reaction to the rise of fascism in Italy during the 1920's manifests both their antipathy for the shortcomings of democratic leadership and their underlying belief in free government.

The initial interpretation of the fascist coup in 1923 was highly favorable. James A. Emery informed the National Association of Manufacturers that "there is one aspect of the foreign situation that must be encouraging to the American observer—the spectacle of a radical socialist, and extreme leader, not only converted by the lightning stroke of intelligence and falling from his error like Saul of Tarsus from his horse, but leading through the streets of a reunited country a great body of citizens who were determined to restore its institutional government and to relieve it of the blighting hand of radical socialism tending toward anarchic control." Assuming that a newly dedicated enemy of radical socialism must be equally dedicated in his loyalty to rational politics, Emery concluded that the "picture of Mussolini rallying the citizenship of Italy to the restoration of their threatened Government, ought to encourage every man who believes that reason will ultimately dominate in the social and political affairs of Europe." [28]

E. W. Howe, the "Kansas Sage of Potato Hill," was even more enthusiastic in his evaluation for readers of *Nation's Business*. Viewing it as more than an important achievement for Europe alone, he described the fascist uprising in Italy as "the most creditable development in human history." Optimistically averring that "the same sound philosophy is developing in America," Howe evidently regarded the fascist coup as part of a universal reaction against the degraded nature of democratic leadership. The fight against socialist dogma knew no national bounds. "It is a great compliment to our American ideals when the people of a foreign country revolt against a doctrine believed in only by the mentally and physically lazy of our population." [29]

The first flush of business approval for the rise of fascism in Italy should not, especially in the light of later developments, be interpreted as an unqualified endorsement of authoritarian leadership. It stands rather as a reaffirmation of the belief that there are "natural

[28] Emery, "Address of Mr. James A. Emery," *Proceedings*, N. A. M. (1923), 289.
[29] Howe, "Comment from the Kansas Sage of Potato Hill," *loc. cit.*, 36, 38.

limitations" beyond which no government can go without facing legitimate resistance.[30] It was believed that in Italy one of the primary purposes of all government, the protection of property, was in such danger of subversion that drastic action was necessary. With their absolute belief in this fundamental purpose, business organizations could interpret the fascist coup as a move in defense of immutable principle threatened by perverted leadership. That a strong leader should emerge in such a situation was fortunate, but he would not have been regarded with such warm approval had business representatives interpreted his measures as directed against rather than in support of free government.

What was the ultimate evaluation of fascist leadership, after its totalitarian implications had become clear? On the positive side one finds unstinting admiration for Mussolini's administrative values and techniques. In an exhaustive analysis of "That Man Mussolini" based upon a personal interview, Merle Thorpe reported that "I can understand why a business man would admire Mussolini and his methods. They are essentially those of successful business. Executive action; deeds, not words. . . . Soviet control of factory, anathema. Material progress must precede spiritual, artistic, and intellectual." [31] The kinship emerges more clearly when one reflects on the basic attitudes that distinguish the American business leader.

"The business executive despises the tortuous ways of government. He tolerates bureaucracy and its red tape. He closes his eyes to the wastes, and bends his mind to ways and means of finding more profits to pay the increased taxes which the inefficiencies entail.

"The creed of the executive is the old Welsh proverb: 'Do summat, bad, may-hap, but do summat.' His coat-of-arms is emblazoned with the words, 'Law. Order. Duty. Discipline. Restraint. Work.' " [32]

These are the methods and working concepts of the authoritarian political leader no less than of the business executive. "The impression you get of [Mussolini] is that he is a fine type of business executive. He cuts through. . . . Not fine-spoken theories; not plans; not speeches he is going to make. None of these. Things done! And that is your successful American executive." [33]

[30] See Chapter VII, *supra*.

[31] Merle Thorpe, "That Man Mussolini!" *Nation's Business*, XV (December, 1927), 62.

[32] *Ibid.*

[33] *Ibid.*

Despite their great respect for apparently efficient, nonpolitical methods, business spokesmen would ultimately judge authoritarian leadership in terms of its ends. "But with all my admiration for these things," Thorpe submitted after noting the advantages of fascist techniques, "I hope they did not blind me to the eternal verities." And by 1927 it had become clear that the goals of fascism were incompatible with two of the most basic concepts identified with the business community. The insistence upon the importance of the free and separate individual and the elevation of economics over politics in the hierarchy of values—both fundamental tenets of the business theory—called for a repudiation of the goals of fascist leadership.

"Italy, with all its material benefits, is losing something far more important—the incentive of the individual to grow strong on his own account and thus increase his spiritual stature." It is through individual freedom, operating within a context in which economic motivations are not repressed or distorted, that the desired progress is to be found. With the ends of the individual subordinated to the ends of the state and with economic power engulfed by and serving as the handmaiden of political power, authoritarian leadership had inverted two of the verities on which free government depends and which business spokesmen had used to excuse its original assumption of control.

The lesson a free government could learn from the contemporary history of authoritarian government was to emulate its strength of leadership without sacrificing the more basic ends of freedom. The question as Merle Thorpe saw it was this: "Will the collective intelligence of the American people develop to such a point that it will seize upon and bind with hoops of steel those benefits of democracy and at the same time be strong-willed enough to stand out against its evils—those panaceas which add to its inherent wastes, inefficiency, cumbersomeness? For in that weakness lies the blighting and withering of democracy's finest flower, individual reward for individual merit." [84]

[84] *Ibid.*

Part Four

CONCLUSION

[XIII]

Business Ideas and the American Tradition

THE governing assumptions of business leadership crystallize into a remarkably consistent and coherent pattern as the focus shifts from man to society to government. This is the more remarkable in view of the fact that the business theory has been constructed from ideas expressed by a group of individuals in response to a wide variety of specific problems. Despite the fact that these ideas have been drawn from a common source—those self-proclaimed and popularly accepted spokesmen of the entire business community who operated through the National Association of Manufacturers and the Chamber of Commerce—their underlying unity remains an impressive fact. Theories which enjoy the advantage of having been developed by a single individual are often subject to the charge of combining incompatible root premises as they move from one basic problem to another. Thus it is said that the calculating rationality assumed in Hobbes's theory of government rests but awkwardly on his concept of brutish human nature. No small measure of tribute is involved, then, in the conclusion that the political ideas expressed in the name of American business escaped this incongruity throughout the 1920's.

With the ideas of the national business organizations spelled out in terms of a systematic conceptual structure, one should be in a position to identify the recurrent themes that characterize the theory as a whole. What are the assumptions which underlie the nature of man, society, and government in the business theory? From the entire structure of business thought examined in these pages half a dozen interrelated dogmas may be said to emerge with particular clarity. The nature of man establishes the doctrine of the elite and a material standard of values; the theory of society develops the pre-

eminence of economic interests and the necessity of social stability; the theory of government points to the fear of popular control and the importance of individualism.

Other significant assumptions could be noted, of course, but these appear to be the root postulates, the basic beliefs which govern the approach of organized business to every type of specific problem. Each serves to reaffirm and support the others, so that when one is raised to the articulate level the others tend to be implicit. In one combination or another these themes color the whole of business theory and identify it as a theory of rigorous conservatism.

The nature of man is so squarely built upon the doctrine of the elite that the superior few and the inferior many scarcely appear to belong to the same species. Disparities in natural endowments reach such an extreme that the masses and the elite are characterized more by their dissimilarities than by their common humanity. The crude and simple virtues of the many find their best expression in an acceptance of their own limitations and a recognition of the competence of the elite to sustain and advance civilization. The depth of the chasm is more clearly revealed in the contrast between the mass man's inordinate capacity for corruption and the ability of the elite to protect not only society from the misguided but the misguided from themselves. The importance of this first cardinal concept is suggested by the fact that almost every facet of the business theory, e.g., the attitude toward government regulation, would be incomprehensible without its support.

"Elitism" in the concept of human nature is supplemented by the assumption of a material standard of values. Who constitutes the elite? The answer is simple: "A man is worth the wages he can earn." And any creation of man, be it salami or sonnets, is subject to the same test. If the most basic and permanent human motives are selfish in nature and economic in content, what more appropriate measure could be devised? The choice of a business career demonstrates the inherent worth of an individual, then, and successful experience in business molds him into a superior person. Every "100 per cent American" finds his *summum bonum* in the endless pursuit of greater material accomplishments. Dying "in the harness," he "desires no monument other than his works as a producer."

Extended to the societal level, elitism and materialism logically

issue in the assumption that economic interests must occupy a preeminent status. The "important instrument" of society is, and must be, "not governments, but business." If the individual finds his highest good in the process of increasing saturation with material achievement and if society realizes a basic ideal in technological progress, the economic interests of society necessarily assume paramount importance. Nor is it surprising, in view of the nature of human motives, that business has performed its exacting task in a unique fashion. Here the "best side of man" is developed and the best interests of society are simultaneously advanced. Any attack upon business must accordingly be viewed as a threat to society at large.

Social stability, the most fundamental ideal of society, emerges with no less inexorable logic from the first three assumptions of the business theory. In the materialistic world of the elite, within which the exalted role of economic interests has been recognized, stability becomes, as a matter of course, the most pervasive of all societal ideals. Where "right" has been realized, and a harmony of interests pervades all of society, the belief in stability is not susceptible to rational attack. As is manifest in the "philosophy of fair play," the business spokesman takes it for granted that everyone is playing the same game and with reference to the same set of rules. Complaint about the rules is the mark of a failure. The only type of change which can be defined as "progress," then, is that which takes place within the established social order.

Despite the high enthusiasm with which business viewed the increasing exaltation of economic superiority during the 1920's, the entire theory was permeated by a nagging and persistent fear of the capacity of government to subvert this natural development. The guiding assumption here is not, as one might suppose, an antigovernmental but an antipopulist point of view. Properly wed to economic interests, vigorous and expanding government may be praiseworthy. The conspicuous antigovernmental orientation of business organizations is itself an incident of the more basic fear that popular control will, through the device of universal suffrage, come to dominate the governmental process. Although economic success is perfectly geared to the nature of man, political power is dependent upon an artificial arrangement which runs directly counter to the laws of nature and which gives full play to the corruptibility of the masses. The unconscionable attempt of the masses, mis-

guided by parasitic politicians, to better their lot through political processes constitutes the most unnerving of all the violations of fair play. Government is capable of meritorious service in the cause of "right," but politics as it is practiced in the twentieth century offers the constant threat of intruding the mass man's delusions into the social order.

The theme of individualism in the business theory, appearing first in the concept of man as a "self-centered, sovereign ego," assumes overriding importance in the evaluation of government policies. The combination of an expanded electorate and concentrated economic control puts a premium upon individualism in the sense of freedom from government. No program which weakens the invidious distinctions in which individual freedom issues can be tolerated. Personal freedom itself can be restricted only when it is being misused to attack the underlying values of the individualistic system. Many social scientists, impressed with the culture concept, would hold that man enters the world as a member of a social unit, passes through it in the mode and with the values instilled by his particular culture, and leaves it for an eternity which he anticipates in terms of the myths peculiar to his society. Neither the relativism nor the group emphasis of this concept is tenable in the business theory: "Man enters the world as an individual, he passes through it as an individual and he steps into eternity as an individual." For government to attempt to improve the course of this movement by smoothing the path of the unfit or regulating the route of the superior is to destroy the vitality of all.

Relying upon its recurrent themes—elitism, materialism, economic pre-eminence, stability, antipopulism, individualism—business leadership could find some solution for almost any problem. So fortified, it stood ready at all times to charge to the defense of interests against numbers. Wherever the spirit of the Declaration of Independence threatened to encroach upon the spirit of the Constitution, the central dogmas of American business could be expected to lend vigorous support to the sterner principles of 1787.

Since this study has attempted to allow business ideas to speak for themselves insofar as possible, it seems appropriate in concluding to highlight the nature of business assumptions in terms of business responses to a specific problem. The Great Depression, which struck its first irreverent blow while the National Association of Manufac-

turers was assembled in its thirty-fourth and most optimistic annual convention, offered the severest type of test to which a political theory could be put. In the face of unemployment, disorder, and distress, how did business leadership react?

As the Dollar Decade drew to its unexpected close, business spokesmen convincingly demonstrated the comprehensive and consistent character of their theory. The central assumptions of the business theory were not to be shaken by new problems or adjusted to new facts. They were held to offer an adequate base for an understanding of any phenomenon, including that of mass unemployment.

In meeting the depression situation without change business leadership was doing more, however, than demonstrating the honesty and depth of feeling with which its assumptions were held. It was at the same time running the risk of sustaining a theory which would lose meaning to the community at large. In a depression period a more critical concern for the ultimate allegiances of a theory could be expected. Faced with widespread human suffering, business spokesmen demonstrated with startling clarity that their first concern was for the preservation of the preferential position of interests.

The assumptions of elitism and materialism could not be weakened by mass unemployment and hunger. "By no agency through which society operates can it destroy poverty outright . . . ," the National Association of Manufacturers was reminded in 1930.[1] Realistic thinkers accordingly need not be disturbed by the greater incidence of poverty brought on by the depression; its most important cause lay in the deficiencies of the unemployed themselves. "It results not alone from involuntary unemployment, but more often from voluntary unemployment, thriftlessness, sin in various forms, disease, and other misfortunes." Misfortunes of this type may justify sympathy for the unemployed, but it must be the type of compassion reserved for those whose troubles are explained by personal weakness, not by the maladjustments of an impersonal economic system.

The worth of any individual is still to be judged by his pecuniary success, according to President Edgerton, for "neither society nor

[1] Edgerton, "Annual Address of John E. Edgerton, President of N. A. M.," *Proceedings, N. A. M.* (1930), 14.

any human power can immunize anybody against the natural consequences of the violation of law—civil, moral, spiritual, or economic. Society cannot protect against the consequences of rejected or misused opportunity or thriftlessness." The more one reflects, the more it becomes clear that "there is, indeed, little excuse for any extraordinary amount of real need in this country. . . ." Who, after all, are the unemployed? For the most part they are those who failed to appreciate the blessings of work while it was available.

> There have been many more days when a well-paying job was available to everyone who wanted it than of those when any appreciable number could not find work. Many of those who are most boisterous now in clamor for work have either struck on the jobs they had or don't want to work at all, and are utilizing the occasion to swell the communistic chorus. If, then, during the larger number of more prosperous days, when everybody has the opportunity to work and earn more than enough for their actual needs, they do not foresee the demonstrated certainty of lean days ahead and practice the habits of thrift and conservation, or if they gamble away their savings in the stock markets or elsewhere, is our economic system, or government, or industry to blame? What system or government can keep people from being fools or going crazy? [2]

The inferiority of the economically distressed is thus demonstrated not only by their immediate inability to secure employment but by their failure to take advantage of former opportunities. Any systematic attempt to relieve suffering that is just payment for past or present sins will merely deal with symptoms while actually aggravating the disorders they reflect: "lifting the individual's economic responsibility by legislation is to promote the very habits of thriftlessness in his life which produce his dependency upon such a process." [3] Poverty, like wealth, is the just reward of individual capacity.

The pre-eminence of economic interests and the ideal of social stability manifest similar steadfastness in the face of crisis. The first consideration in attacking depression problems must be for the necessities of human beings not as such but as property owners. Fred W. Sargent, railroad president and director of the Chamber of Commerce, discerned an alarming tendency toward the first approach in early depression thinking. "We have compelled our Government to perform too many services; we have authorized expenditures on the basis of what various factions desire to spend rather than on what

[2] *Ibid.*, 14–15. [3] *Ibid.*, 15.

the entire body of citizens can afford to spend." A comfortable tax policy must take precedence over any attack upon social problems. "To my mind it is more important to preserve good government within constitutional principles with a tax rate that the people can comfortably bear, than to pursue a policy of social reform that is increasing our tax rate each year." [4]

Merle Thorpe applies the same criterion to proposed public work projects. A modest amount of public work may be appropriate in the interest of increasing employment, but it must be dropped at the point where it threatens to produce a radically progressive rate of taxation. "The pushing of public work in order to supply more jobs may be advisable in a time of unemployment, but there are dangers in it. One danger is the stimulation anew of that old and erroneous idea that work done by the Government 'doesn't cost anybody anything' or that the major expense of public works is borne by the wealthy." [5]

More unqualified approval may be extended to the relief of property. "In this field [of curbing depressions], Government itself must take a new and longer view of its peculiar responsibility," President Barnes submits. "Tax policies . . . should be framed to stimulate and encourage ventures of new capital in expanding old and new industries. Public regulation of utilities should have a new breadth of vision and fairness." [6] First in prosperity, first in depression, economic interests are clearly first in the heart of the business theory.

A peculiar feature of economic pre-eminence is illuminated by the depression catastrophe. Because of its informal nature, the predominant role of economic institutions leads to a vague and ill-defined type of responsibility: although business must be given credit for prosperity, it cannot be saddled with responsibility for the depression.

In the midst of the Amazing Decade, the head of the Chamber of Commerce's civic development department proudly announced that "the American business man is today the most influential person in the nation. Because of the wealth and manpower of our nation, the American business man is today perhaps the most influential figure

[4] Fred W. Sargent, "What to Do About Taxes," *Nation's Business*, XVIII (May, 1930), 38.

[5] Thorpe, "As the Business World Wags," *loc. cit.*, 12.

[6] Julius H. Barnes, "The New Philosophy of Stabilization," *Nation's Business*, XVIII (May, 1930), 20.

in the world." The tremendous influence of the businessman was seen to issue logically from the inability of earlier leaders to meet the needs of society. "His predecessors in leadership, the soldier and the politician, created . . . problems and then proved unable to solve them. Their failure opened the way to him." [7]

As of 1925 the triumph of American business appeared to involve not only credit for current prosperity but responsibility for future economic development. The readers of *Nation's Business* were told that "capitalism is today triumphant and the American business man, as its most conspicuous exponent, occupies a position of leadership which the business man has never held before." But the businessman must expect to answer for his stewardship no less than the soldier and the politician. "This means that he is on trial. The coming years are his. Whether this era of business leadership will be one that compares well with other periods in history when other groups led, is the question which the coming years will answer." [8]

By 1930, however, when "the coming years" had materialized, it was not so clear that their fruits should be credited to the business community. Prosperity had been the work of the businessman, but the depression was the achievement of government. In December, 1930, Julius Barnes, former president and now chairman of the board of the Chamber of Commerce, wrote, "It is useful . . . and it is also fair—to study without prejudice and to state without exaggeration the manifest evils of certain government acts; to declare their responsibility in the present undermined welfare of all peoples." [9]

Business was still the most important institution, as indicated by its preferred status in depression policies, but its spokesmen were no longer eager to claim full credit for the nation's economic condition. The disruptive capacity of other forces was too great for such a claim to be plausible or expedient. Indeed, Merle Thorpe now pointed out that it was "nonsense" to identify the top business leaders, without qualification, as "the men who rule the United States." [10]

In the first place, such a statement could only be made in the collective sense because of the turnover in business leadership.

[7] Ihlder, "The Business Man's Responsibility," *loc. cit.*, 52. [8] *Ibid.*, 54.
[9] Barnes, "The Road to Better Times," *loc. cit.*, 16.
[10] Thorpe, "As the Business World Wags," *loc. cit.*, 14.

Thorpe noted for the benefit of "those if there be any who fear that the United States are 'ruled' by an oligarchy of wealth" that the opportunities offered by free enterprise "make it certain that we have in each generation a new group of leaders in business." Even more important, especially in view of the embarrassments which may befall economic leaders in a depression period, is Thorpe's final argument: ". . . 'the men (and the women) who rule the United States' are the 120 million who were counted the other day in the census." [11]

For business to claim credit for prosperity thus may not be assumed to imply any clear or continuing responsibility for the state of the economy. Business was responsible only for the constructive developments of the 1920's. It did not assume, through its two most powerful organizations, the type of responsibility that entails commensurate obligations in a time of distress.

Economic pre-eminence is thus retained, but—in the interest of social stability—in such a way that the business community could not be made responsible for coping with depression problems. "I have been asked what to do about it," Fred W. Sargent noted. If the "real rulers" of America's economic life are its 120 million men, women, and children, the answer will be as simple as it is vague. "My answer is that we should go back to the policies that have thus far made us great; to stop petitions for public improvements far beyond our means to afford; to realize that we cannot solve our problems of governmental finance by easy expedients, and to admit that nothing can take the place of collective thrift, self-denial and intelligent citizen participation in government." [12]

Nothing more radical than an increase in citizen frugality and intelligence could be entertained as a policy because of the threat that might be posed to social stability. President Edgerton was accordingly alarmed to observe that "there are already formulated and in process a variety of legislative proposals on public unemployment insurance, old age pensions, and similar measures for the consideration of the Legislatures which are to meet in 1931." Business leaders were quick to penetrate the ultimate goal of such measures. "All of such emotional proposals are intended in the name of expediency and social progress to shift individual responsibility to the already overburdened shoulders of government and industry and thereby take

[11] *Ibid.*

[12] Sargent, "What to Do About Taxes," *loc. cit.*, 40.

us a long step further towards the Socialistic goal, the abolition of private property." [13]

If social stability be assumed as a fundamental necessity, the best program that could be devised might well be one which simply called for upright conduct on the part of all. In this vein, the president of the National Association of Manufacturers congratulated the President of the United States on the work of a conference of business leaders convened to consider depression problems: "The assurances given by you, the Secretary of Commerce and Dr. Klein on behalf of the Government, and the stimulating reports from every sector of the business world, should and did serve, I think, to convince the people of our country that nothing is fundamentally wrong in the present situation. I heartily believe that complete confidence will very soon be restored, if, as you advised, everybody goes to work and quits talking about the securities of our economic future, and, if there are no attempts made among the people to capitalize for personal or group advantage a situation which lends itself so readily to publicity." [14]

The assumptions of antipopulism and individualism play no less prominent a role in business reaction to the depression than those of elitism, materialism, economic pre-eminence, and social stability. The fear of new government programs that might be developed in response to mass need underlies the idea that "too much government in a democracy is dangerous. Self-government depends on a strong and virile electorate trained in the habits of self-help and self-reliance." [15]

Despite the undesirability of expanding government functions, "there is much that government can both helpfully and properly do" within the framework of business assumptions.[16] While the nation was suffering the most critical economic crisis in its history, what problem did business leadership find for government to expend its energies upon? It decided that "the overshadowing problem of all problems is crime."

Not only did crime present a safe target for vigorous action in

[13] Edgerton, "Annual Address of John E. Edgerton, President of N. A. M.," *Proceedings, N. A. M.* (1930), 15.

[14] *Id.*, quoted in "Setting the Country on a Stable Course," *American Industries*, XXX (December, 1929), 4.

[15] Sargent, "What to Do About Taxes," *loc. cit.*, 38.

[16] Edgerton, "Annual Address of John E. Edgerton, President of N. A. M.," *Proceedings, N. A. M.* (1930), 18.

keeping with government's primary purpose, it could be the exclusive focus of government activity. All other problems connected with the depression could be forgotten. "There is government's greatest responsibility and opportunity, and they are sufficient for all its energies of mind and soul not utilized in other strictly proper and normal engagements. There is no occasion for it to become more concerned with or to look for other tasks."

An anticrime crusade would, moreover, be much more helpful to the masses than misguided schemes of unemployment assistance and insurance. "If government really yearns to do something for 'the people' . . . *let it sincerely and energetically address itself . . . to the lifting of the galling, crushing yoke of crime from the necks of all the people including the criminals.*" Indeed, if criminality could be arrested the depression itself—caused by wrong conduct within a well-ordered system—would promptly end.

"If government at any point is capable of the human interest which it so often proclaims from every point, it can not give such other convincing proof of its sincerity as by driving crime from its appalling entrenchments in this land of boasted civilization. That itself would mean food to the hungry, clothes for the naked, jobs for the unemployed, peace in industry, and security to all." [17]

The concept of individualism reinforces the negative business approach to economic crisis. Representatives of the business community heard widespread expressions of discontent as an indictment of American manhood rather than of economic practices. "There are too many who are trying to escape individual responsibility for the full and proper use of their opportunities," the National Association of Manufacturers was told in 1930. "They want the government or society or some other organized agency to assume it for them. That is where the shoe of the capitalistic or competitive system pinches most and why they want to discard it for some more idealistic scheme which promises economic salvation free to all." [18]

Basically the problem of unemployment is not an economic problem at all. "A carefully thorough examination of all the problems which are commonly termed economic and are politically and socially treated as such, will reveal to the unprejudiced mind that most of them are fundamentally moral problems and could be more rationally solved if approached with that understanding." Since

[17] *Ibid.* Emphasis his. [18] *Ibid.*, 14.

each individual is independently responsible for his own status, the essence of the problem could be described in no other way. Why was the question so rarely approached from this point of view? Granted the correct premises, the facts were clear enough. "But if they are publicly recognized as moral problems, then it would not be so easy to fix the blame for them upon industry and saddle upon that numerically small portion of society, the burden of their solutions." [19]

For those who fear insecurity, the advice of the business individualist is correspondingly simple: Invest in a well-balanced insurance program. Any less individualistic approach carries a premium which must be paid with the loss of one's initiative, his independence, and consequently his true manhood. But this fact, too, was in danger of being forgotten in popular thought. If it were recognized, "politicians would have much less of popular appeal to talk about and many of our educational and religious institutions would have to teach and preach more about good morals, the individual's leading responsibility for his own economic as well as spiritual salvation, his obligation to work and earn and save, practice thrift, carry his own life, fire, accident, unemployment, and old age insurance, and to strive in all other honest ways to avoid becoming a ward of the government, of society, or anybody else." [20]

The only effective way to improve society is to reform the individual, to propagate "the principles of right and justice and honesty." [21] All other improvements must be built upon their acceptance. "During the process of their propagation, therefore, the chief responsibility for which rests upon our religious and educational institutions, we should patiently and persistently make as helpful use as possible of the teachings of history touching the obligations and rights of men." Real salvation must be internal, a matter of the heart rather than of the legislative hall. President Edgerton felt that "every aspiring reformer must start with himself if he would succeed, remembering that an example of consistency and right living is more powerful than a book of sermons."

Each of its root assumptions intact, the business theory must be regarded as a comprehensive and enduring frame of reference. The

[19] *Ibid.*, 15. [20] *Ibid.*

[21] *Id.*, "Open Shop and Individual Liberty," *American Industries*, XXXI (August, 1930), 9.

gravity of depression problems could not shake the convictions of spokesmen for American business. The structure of business thought was held by its architects to be of such permanent soundness that it could easily accommodate new conditions without any significant modification.

But the gravest weakness of the business theory lay in its greatest strength. If the theory had not changed, the facts had. And the very inflexibility with which the old assumptions were applied revealed the extreme degree to which conservative thought in America had degenerated since the responsible period of the Federalists. The dedication of the National Association of Manufacturers and the Chamber of Commerce to the cause of property against persons was no more exclusive or complete in 1930 than it had been in 1920, but the circumstances were such as to reveal this dedication in a more naked and unappealing light.

Its concern for the immediate and narrow interests of the economic elite was so overweening that business leadership was blind to the most urgent needs of the public at large. Alarmed for its prestige and profits, the business community—after assuming full credit for prosperity—could generate no meaningful sense of public responsibility in the face of depression. With no trace of the *noblesse oblige* expected from an aristocracy, its orientation suggests the belligerence and the fears typical of a plutocracy.

The business theory was to a considerable extent losing contact with reality, becoming a more accurate reflection of faith than of fact. Whether it be accepted that wealth is a perfect index of worth or not, one may convincingly argue during periods of high employment that inability to secure work is an indication of inferiority. But the argument begins to ring hollow when the number of people who must be convinced of their personal sins and deficiencies begins to reach into the millions. Nor does it help to assure these people that public assistance will aggravate their deficiencies and that they must, depending upon the gravity of their weakness, permanently adjust to their condition or await the general improvements that will spring from government assistance to business.

On occasion the exclusive concern of business organizations for property reaches virtually paranoiac proportions. Programs as innocuous as old age pensions and unemployment compensation—subsequently to be accepted by business itself—are viewed as revolu-

tionary moves calculated to destroy the institution of private property. So frantic does the desire to divert the attention of government from any inequities in the business system become that it is seriously proposed that government reform should focus exclusively upon the problem of crime. And in his eagerness to sell this harmless scheme, a responsible business spokesman is led to maintain that it will end the human suffering he has earlier described as unavoidable.

Having itself denied the perfectibility of man, business concludes with the suggestion that social reform must await the reform of the individual. By this device social reform may be permanently evaded. Equally significant is the fact that it throws the problem of reform to the church. Since the church has previously been denied any right to enter, or competence within, the economic sphere, the door is doubly locked against economic reform.

Here is no theory around which the community at large could reasonably be expected to rally in an attempt to cope with common problems. However consistent its assumptions, it is revealed as a theory not simply of business but exclusively for business. So far as any broad-gauged appeal or any accurate reflection of facts is concerned, business ideas approached bankruptcy along with business enterprises. The iteration of the business theory now begins to appear little more than a verbal exercise, the incantation of a litany only remotely related to realities. If its intonation could not banish unpleasant facts, perhaps it could divert the attention of believers from their existence.

Although business ideas have been the exclusive concern of this study, it should not be forgotten that they represent only one (even if the most influential) facet of the general conservatism which was the dominant theme of the 1920's. Indeed, the change in the basic attitude of Americans toward the role of government has been so great that it is difficult, from the vantage point of the 1950's, to appreciate the tremendous prestige enjoyed by the business dicta considered in these pages.[22] Before completing the appraisal of business ideas during the Dollar Decade, it accordingly appears appropriate to note at least in summary form the generally conservative context which supported the dogmas of business spokesmen.

If the lenses through which business leadership viewed the politi-

[22] Some of the highlights of this change are considered in Frederick Lewis Allen, *The Big Change* (New York, 1952).

cal world were ground from the six assumptions discussed above, how did the same scene appear to the formally elected political leadership, the judiciary, the pulpit, and the press of the day? To answer this query fully would, of course, require a volume several times longer than the present one. A brief survey of some of these sources of political ideas suffices to suggest, however, that James Truslow Adams was not amiss in applying the phrase *Our Business Civilization* [23] to the total thought of the period.

So far as the official political leaders were concerned, perhaps the greatest tribute to the conservatism of the first two Presidents of the decade is found in the fact that after them the third at first glance appeared almost progressive. To all three the business community could look with pride and with assurance of finding a reflection of its own central dogmas. If the most singular contribution which President Harding had to offer to the world of ideas was in coining the word "Normalcy," which became the semiofficial sobriquet of the decade, he was none the less acceptable to business leaders for his willingness to accept their ideas as his own. Certainly they must have been fortified in their beliefs to hear Harding the candidate say, "The business of America is the business of everybody in America." There was not the least danger that this could mean from Harding what it might later have meant from a New Dealer. "This is essentially a business country. We hear a vast deal about 'big business,' but the big business of America is nothing but the aggregate of the small businesses. That is why we need business sense in charge of American administration, and why the majority of America has for more than half a century been a Republican majority. . . . We must get back to the methods of business, without the hampering restrictions and bullying methods that have been so extensively introduced." [24] When, in a rare bookish allusion, he personified himself as "Main Street come to Washington," Harding was offering his biographer a key to the rudimentary concepts which were his guide. "Pride, not deprecation, inspired the utterance. Marion's Main Street was, for him, the epitome of success, soundness, enterprise, orthodoxy, every worthy quality which he had in mind when he rolled out his unctuous encomiums of Americanism." [25]

The transfer of political leadership from Harding to Coolidge did

[23] James Truslow Adams, *Our Business Civilization* (New York, 1929).

[24] Harding, "Business Sense in Government," *loc. cit.*, 13–14.

[25] Samuel Hopkins Adams, *Incredible Era: The Life and Times of Warren Gamaliel Harding* (Boston, 1939), 188.

not decrease the degree to which business views were echoed from the White House. No pressure group could hope to achieve a more enviable position than the Chamber of Commerce enjoyed in being informed by the President, "I have been greatly pleased to observe the many evidences which come here, indicating that the attitude of the Chamber of Commerce very accurately reflects that of public opinion generally." [26] When one recalls Coolidge's famous dictum, "The business of America is business," [27] this happy reliance on the nation's greatest business organization quickly becomes understandable. It was he, after all, who proclaimed that "the man who builds a factory builds a temple, the man who works there worships there, and to each is due not scorn and blame, but reverence and praise." [28] The mission of Coolidge as President was simply to serve business honestly and effectively. Noting the extent to which the various regulatory commissions had become quiescent or were serving as promotional agencies, a contemporary report concluded, "To protect business, to promote business, to provide for more and better business is the chief aim of every governmental agency in Washington which the President controls. And he is engaging in all this activity for business not stealthily, not with a Puritan sense of sin, but with a high pride, a glowing zeal in his work." [29]

If business spokesmen glowed with a grand assurance of the preeminence of their function in society, the fact that the spokesman for the entire nation was equally enthusiastic puts their pride in a less immodest light. For Coolidge it was not a matter of being pressured by a minority economic interest to actions in its behalf; it was a ready acceptance of those whom he regarded as the true leaders of the entire nation. "He believed in the holy dollar," William Allen White submits. "He took advice from American money lenders; but they led him only where his instinct would have guided him and his instinct was probably reflected in the feeling of the American people in those days." Noting the perfect coincidence of Coolidge's views with those of business leadership, it may be only

[26] Quoted in Grant, "Put All the Cards on the Table," *loc. cit.*, 15.

[27] At the December, 1923, meeting of the American Society of Newspaper Editors. Quoted in William Allen White, *A Puritan in Babylon: The Story of Calvin Coolidge* (New York, 1938), 253.

[28] Coolidge, quoted in Charles A. Beard and Mary R. Beard, *The Rise of American Civilization* (New York, 1930), II, 700.

[29] William Allen White, *Calvin Coolidge: The Man Who Is President* (New York, 1925), 221.

a slight exaggeration to conclude, "The Chamber of Commerce was Coolidge's alter ego." [30] As Frederick Lewis Allen put it in his keen appraisal of the spirit of the 'twenties, "The great god business was supreme in the land and Calvin Coolidge was fortunate enough to become almost a demi-god by doing discreet obeisance before the altar." [31]

When Herbert Hoover moved into the White House, no pronouncements of loyalty to business interests were called for in view of the fact that his election represented the perfect realization of the old dream of getting "business sense" into government. An outstanding businessman, no less than a highly respected statesman, Hoover proposed to demonstrate that there were virtually no limits to the progress that could be attained through an understanding cooperation of government with business. In accepting the Republican nomination in 1928 he reflected on the forces of prosperity with an optimism which was to haunt him bitterly before the end of the next year. "One of the oldest and perhaps noblest of human aspirations has been the abolition of poverty. . . . We in America today are nearer to the final triumph over poverty than ever before in the history of any land. . . . We have not yet reached the goal, but, given a chance to go forward with the policies of the last eight years we shall soon with the help of God be in sight of the day when poverty will be banished from this nation." [32]

Sharing his business colleagues' conviction of the pre-eminence of economic interests, Hoover was confident that all other freedoms were dependent upon a continued operation of the enterprise system free from popular controls. Private control of economic power not only posed no threat to other freedoms, but was essential to their enjoyment. "Every expansion of government in business means that government in order to protect itself from the political consequences of its errors and wrongs is driven irresistibly without peace to greater and greater control of the nation's press and platform. Free speech does not live many hours after free industry and free commerce die. . . . Every step of bureaucratizing of the business of our country poisons the very roots of liberalism—that is, political equality, free speech, free assembly, free press, and equality of opportunity." [33]

[30] White, *A Puritan in Babylon*, 325, 396. [31] Allen, *Only Yesterday*, 211.
[32] Herbert Hoover, *The New Day: Campaign Speeches of Herbert Hoover, 1928* (Stanford, 1928), 16.
[33] *Ibid.*, 162–63.

This statement is significant enough for its assumption that the values generally regarded as most basic in a democracy are all dependent upon unfettered enterprise. It is given additional meaning by the disclosure in the former President's memoirs of the specific proposals for "bureaucratizing . . . business" which inspired that particular speech. Noting that "while the Governor [Al Smith] conscientiously believed in the American system, he was not philosophically very discriminating," Hoover proved his point by reference to "some assurances . . . given to Senator Norris and John Dewey's socialist group that the government would go into the power business" and to Smith's promise to "the radical agricultural group to advocate price-fixing schemes in farm products." It was these proposals, both subsequently adopted, that Hoover regarded as an immediate threat to "political equality, free speech, free assembly, free press, and equality of opportunity." "I was determined," he later wrote, "that the Republican party should draw the issue of the American system, as opposed to all forms of collectivism." [34]

The *New Republic*'s evaluation at the time of the stock market crash is, whether consciously or not, a tribute to the business community's unassailable leadership in the American politics of the time. "It is perhaps futile to quarrel with Mr. Hoover as to this general outlook. If he had been more antagonistic to the prevailing business *amour propre*, he could not have been elected President, under our present party regime. . . . The historical role of Mr. Hoover is apparently to try the experiment of seeing what business can do when given the steering wheel. Mr. Hoover insists that there should be a steering wheel, but he will also let business do the driving." If there were some who shared with the liberal press a "doubt if business alone can develop the necessary discipline over those factions within it whose immediate interest in profits makes them oppose measures . . . essential for the general welfare," a vast majority had endorsed Hoover and unchecked business prosperity.[35]

Independent, appointive political leadership as represented by the judiciary was, for the most part, no less enthusiastic in endorsing the business view than the elected leaders of the nation. Because he spoke for the court during this period in more great cases than

[34] Herbert Hoover, *The Memoirs of Herbert Hoover: The Cabinet and the Presidency, 1920–1933* (New York, 1952), 202.

[35] Editorial, "Hoover Plays His Part," *New Republic*, LXI (December 11, 1929), 56.

any of its other members, Justice George Sutherland, who had advised Harding in his campaign before receiving his appointment to the Supreme Court, may be taken as typifying the dominant judicial attitude.[36]

Convinced that Herbert Spencer had revealed the system of *laissez faire* to be of cosmic sanction and application, and having learned directly from Thomas M. Cooley that the Constitution enshrined this truth,[37] Sutherland could be counted upon to protect the business community against any intemperate majority. The lengths to which a majority of the court would go at this time to give business assumptions constitutional sanction was perhaps most notably demonstrated by Sutherland's opinion in the case of Adkins *v.* The Children's Hospital.[38] In overthrowing a statute which would have permitted the fixing of minimum wages for women in the District of Columbia,[39] he had accepted the dogmas of antipopulism and individualism so seriously as absolutes that he could solemnly regard his decision as protecting the freedom of women—who were thus emancipated to work for as little as they found necessary without majority interference. Heartily disapproving of the statute, which flouted the business notions of materialism and economic preeminence no less than those of antipopulism and individualism, Sutherland was inspired to read into the Constitution a meaning that he could find no provision of that document to support: conceding that freedom of contract had been subjected "to a great variety of restraints," he declared that such freedom was "nevertheless, the general rule and restraint the exception; and the exercise of legislative authority to abridge it can be justified only by the existence of exceptional circumstances." [40] In reversing the traditional presumption in favor of the constitutionality of legislative enactments in this area, Sutherland was establishing the economic freedom of contract as a value superior to the right of majority rule.

But Sutherland went further than this. Since this particular type of interference prescribed the fixing of a wage, it affected "the heart of the contract" and could not therefore be permitted under any circumstances. Human necessities simply could not be regarded as

[36] See Joel F. Paschal, *Mr. Justice Sutherland: A Man Against the State* (Princeton, 1951).

[37] *Ibid.*, 9–20.

[38] Adkins *v.* The Children's Hospital, 261 U.S. 525 (1923).

[39] 40 Stat. 960 (1918).

[40] Adkins *v.* The Children's Hospital, 261 U.S. 546 (1923).

superior to economic rights. "The *ethical* right of every worker, man or woman, to a living wage may be conceded," but employers, legislatures, and courts must not allow ethical considerations to supplant economic necessities. Assuming a harmony of interests between the corporate employer and the $35.00 a week woman employee—two bargaining equals—the justice was convinced that a proper respect for the pre-eminence of economic concerns would ultimately work to the best interest of both. "To sustain the individual freedom of action contemplated by the Constitution is not to strike down the common good but to exalt it; for surely the good of society as a whole can not be better served than by the preservation of the liberties of its constituent members." [41]

If labor strongly resented being treated as an article or commodity of commerce,[42] such a view involved no derogation in the eyes of the judicial conservative; quite clearly, nothing was more sanctified. And if workers were temporarily inconvenienced in their capacity as human beings out of deference to their sanctity as articles of commerce, they could take comfort from the court's assurance that the long-range effects were good even from the humane point of view. Herbert Spencer, Sutherland's lifelong source of intellectual security and the spiritual godfather of the Supreme Court of the era, had explained this a bit more clearly if brutally as the "mercy of severity": "Pervading all nature we may see at work a stern discipline, which is a little cruel that it may be very kind. . . . By the aid of which purifying process, . . . all vitiation of the race through the multiplication of its inferior samples is prevented; and the maintenance of a constitution completely adapted to surrounding conditions, and therefore most productive of happiness, is assured." [43]

The American pulpit is too varied a platform to offer a single point of emphasis, however predominant a particular secular institution may be for a time. Those who agreed with James Truslow Adams that "in making the business men the dominant and sole class in America, that country is making the experiment of resting her civilization on the ideas of business men," [44] could point for support during the 'twenties, however, to the fact that the most popular religious ideas appeared to be those that supported the dominant

[41] *Ibid.*, 558, 561. [42] See *American Federationist*, XXX (1923), 400.
[43] Herbert Spencer, *Social Statics* (New York, 1883), 352–53.
[44] Adams, *Our Business Civilization*, 31.

business assumptions. If Adams was correct in his premise that "the business man's standard of values has become that of our civilization at large," [45] it is perhaps no more surprising to find popular religious spokesmen giving divine sanction to the business creed than to find a majority of the court giving it constitutional approbation.

The impact of the business point of view on what are normally spiritual considerations is vividly demonstrated in an interview conducted for *American* magazine with Dr. Shailer Mathews, dean of the Divinity School of the University of Chicago and a former president of the Federal Council of Churches of Christ in America. "Could a man make more money if now and then he prayed about his business?" asked the reporter in opening the interview. "I think so—if he is honest and serious," the dean replied. "Could he get a better job?" "I haven't much doubt of it." Further demonstrating, as the reporter put it, that "God . . . is still on the job," or, in the dean's more scholarly term, that God is not "emeritus," the religious leader related the experience of an absent-minded colleague who was trying to hold "three man-sized jobs all at the same time." " 'God,' he prayed in all earnestness, 'help me to remember everything instantaneously, the moment it is needed.' Within a week he was master of the jobs, and never thereafter forgot an engagement or essential detail." [46] If such expressions as this led the *Nation* to complain that religious instruction "evidently ought to be transferred from the divinity school to the college of business administration," [47] the majority apparently found it quite appropriate to demonstrate that "it pays" to pray.

Among the evidence which Frederick Lewis Allen adduces to support his thesis that "the association of business with religion was one of the most significant phenomena of the day" is the following appeal from a New York church billboard: "Come to Church. Christian Worship Increases Your Efficiency. Christian F. Reisner, Pastor." [48] But the most convincing support for this view comes from the extraordinary message of Bruce Barton's *The Man Nobody Knows*, the most popular religious book of the decade and the nonfiction best seller for 1925 and 1926. Convinced that Jesus was the most misunderstood leader of all time, Mr. Barton undertook

[45] *Ibid.*, 14.
[46] Neil M. Clark, "Putting Religion to the Test," *American*, CIX (1930), 50–51.
[47] Editorial note, *Nation*, CXXX (June 11, 1930), 667.
[48] Allen, *Only Yesterday*, 202, 203.

in this remarkable book to "tell the story of the founder of modern business" and to establish Jesus as the prototype of the American businessman.[49] From the flyleaf page with its significantly emphasized quotation—"Wist ye not that I must be about my Father's *business?*"—the book proceeds for seven chapters to describe Jesus as "The Executive," "The Outdoor Man," "The Sociable Man," "The Founder of Modern Business," "The Master," and in terms of "His Method" and "His Advertisements."

Because "he thought of life as *business*," the career of Jesus offers an undeniable moral for twentieth-century Americans: "Great progress will be made in the world when we rid ourselves of the idea that there is a difference between *work* and *religious work*." Just as Jesus becomes the greatest businessman, any life dedicated to business becomes a life dedicated to God. "He picked up twelve men from the bottom ranks of business and forged them into an organization that conquered the world." Certainly such uncanny success as an executive should evoke reverence from any aspiring business leader. "Nowhere is there such a startling example of executive success as the way in which that organization was brought together." [50]

Although an outstanding producer, it is as a salesman that Jesus is found to have reached his greatest heights. "He would be a national advertiser today, I am sure, as he was the great advertiser of his own day." Finding that "every one of the 'principles of modern salesmanship' on which business men so pride themselves, are brilliantly exemplified in Jesus' talk and work," Mr. Barton concludes that the parables are "the most powerful advertisements of all time." [51] It may be going too far to hold, with one critic, that "Barton sold Christianity to the public by showing its resemblance to business," [52] but the tremendous popularity of the book at least warrants the conclusion that business and religion offered stout support to one another during the Dollar Decade.

Although a vast majority of the conservative leaders of popular thought expressed a type of conservatism virtually indistinguishable from that of business leadership, the press offered one exception who was too conspicuous to be overlooked. Henry L. Mencken, editor of the *American Mercury*, was one influential publicist who was

[49] Bruce Barton, *The Man Nobody Knows: A Discovery of the Real Jesus* (Indianapolis, 1924), xi.

[50] *Ibid.*, x, 23, 162, 179. Emphasis his.

[51] *Ibid.*, 104, 107, 140.

[52] Allen, *Only Yesterday*, 205.

both conservative and antibusiness in his outlook. Since it was almost exclusively in liberal sources that an antibusiness orientation was to be found in the 1920's, Mencken's gleeful and caustic attack on the materialistic biases of the day almost lead one to omit him from a survey of conservatism in the Dollar Decade. His great influence among that minority who thought of themselves as intellectuals, coupled with his frank rejection of democracy, require that he be noted, however, as the exponent of a different type of conservatism.

Intellectually left-wing and politically right-wing, Mencken and the *American Mercury* offered a rallying point for the self-styled "civilized minority" who were bored with economic and political problems but who excitedly demanded the right of complete freedom in personal conduct. Condemning the economic elite and the political majority with equal vehemence, Mencken stood as a symbol of nonconformity, but one more interested in the noisy excitements of iconoclasm than in the workaday tasks of constructive thought. Certainly neither business spokesmen nor their serious critics could find much comfort in his sallies against "the glittering wheels of Rotary" or the "political New Thoughters called Liberals." His insistence that "politics, under a democracy, resolves itself into impossible alternatives" suggests the extent to which Mencken stood apart from the real conflicts of his day. "Whatever the label on the parties, or the war cries issuing from the demagogues who lead them, the practical choice is between the plutocracy on the one side and a rabble of preposterous impossibilists on the other." [53]

If the "civilized minority" found such sources as the *American Mercury* exhilarating, they themselves would have been the first to insist that they were outside the main stream of political thought in the 1920's. *American* magazine, the most popular periodical in Middletown,[54] may be taken as both more broadly influential and more typical of the concepts being purveyed by the press in general. Characteristic titles from the *American* demonstrate the enthusiasm with which the mass circulation press endorsed business leadership and the cult of prosperity. That material success was a proper object for veneration and emulation, that the wealthy deserved their good

[53] H. L. Mencken, *Notes on Democracy* (New York, 1926), 199, 205.

[54] Robert S. Lynd and Helen M. Lynd, *Middletown: A Study in Contemporary American Culture* (New York, 1929), 239.

fortune and had, indeed, overcome countless obstacles to achieve it, that anyone who followed the rules would find limitless opportunities must have been apparent to any reader of such articles as these: "I am Proud That I Was an Orphan!" "You've Got to Rub People the Right Way," "Turn Your Handicap to Your Advantage," "Dead Broke," "He Invented a 'Fool Novelty' That Founded a New Industry," "When You Pay for Experience Be Sure to Keep Your Receipt," "Do Young Men Have the Chances Their Fathers Had?" "I Retired at Forty—But I Couldn't Stand It Long!" "Who Said the Day of Railroad Giants Is Over?" "Burch Foraker Talks About Leadership," "A Man With a Face Like Mine Has to Be a Self-Made Man!" "Days of Drudgery Will Soon Be Over," "Something for Nothing," and "The Higher You Climb the More Lonely You Become." [55]

Among the various themes emphasized in these articles, several are sufficiently recurrent to warrant special mention. In the first place, the reader finds assurance that the general business system is beneficent and progressive. As Walter S. Gifford, president of the American Telephone and Telegraph Company, put it, "The present, and particularly the future, are the periods when all men prosper by the utilization of natural forces. Today in America we are building a new civilization, not on the conquest of our fellow men but on the conquest of nature." Under these circumstances, there are no obstacles other than "unknown material forces that dam man's progress," and efficient business leadership may be relied upon to cope with these.[56]

A second point of emphasis is the deserving character of those in positions of eminence in the business hierarchy. When the chairman of the board of one of the largest companies in the country was asked how the new president of a subsidiary had been selected, his answer was a model of simplicity. "I'd put it this way: Albert Salt was the best office boy we ever had, the best clerk we ever had, the best salesman we ever had, the best purchasing agent we ever had, and he never knew when the whistle blew." [57] Here was an attitude

[55] All of these titles were selected from *American* magazine for the year 1928 (Vols. CV and CVI); similar articles may be found in almost any issue of the magazine during the decade.

[56] Sherman Gwinn, interview with Walter S. Gifford, "Days of Drudgery Will Soon Be Over," *American*, CVI (May, 1928), 25.

[57] Helen Christine Bennett, "If You Want to Slow a Man Down Try Bawling Him Out," *American*, CV (April, 1928), 49.

which any ambitious young man could adopt and the classic starting point which even the lowliest found in reach. A third theme is accordingly implicit in this tribute to the character of the successful: The way remains open to anyone of real ability. "By the very nature of things today, men who are in posts of leadership must actually lead and produce," William W. Atterbury, president of the Pennsylvania Railroad, asserted. "If the old executive has gone stale, he must make way for a new one. It is the day of the *rising* man in business, and he usually is a young one." [58]

A fourth theme emerges as a corollary to the third: The premium on real ability is so great and the opportunities are so unlimited that no circumstance can be desperate enough to eliminate hope. Indeed, it would almost appear that disadvantages are long-run assets. "Dead-brokeness, I think, is the supreme acid test of character," submits one successful man who rose from complete penury. "It makes or breaks; and it reveals much which would otherwise remain forever hidden." [59] With the proper spirit, even those who remain in lowly tasks may expect to attain eventual wealth. One is struck, for example, by the janitress who, after nearly thirty uncomplaining years on the job, "has accumulated a competency of nearly one hundred thousand dollars. . . ." That "she has demonstrated what thrift, coupled with the ability to save, will accomplish" was undeniable. Almost any reader of the *American* must have felt, in addition to a possible uneasy guilt for having spent twenty-five cents for the magazine, that it would be only his own fault if he failed to achieve at least equal riches. "Mrs. Severson owes her present prosperity entirely to her saving propensities, plus the advice of her banker friends, who have guided her wisely in the investment of her savings." [60] Even if one did not have the ability which would assure his rocketing to the top, a proper employment of more humble capacities would assure a respectable competency.

In the event that one's position continued to look hopeless after these assurances, a final theme—the emphasis on luck—remained as an ultimate source of optimism. In an article entitled "Do You Believe in Luck? I Do," the familiar favorite, Bruce Barton, described

[58] William S. Dutton, interview with William W. Atterbury, "Do Young Men Have the Chances Their Fathers Had?" *American*, CV (May, 1928), 19. Emphasis his.

[59] Albert P. Terhune, "Dead Broke," *American*, CV (February, 1928), 34.

[60] Arthur C. Saunders, "A Janitress Who Gave Her Church a $12,000 Organ," *ibid.*, 64.

a series of amazing accidents that had lifted men from obscurity to great wealth. However unreasonable it might appear from a coldly rational point of view for one to associate himself with the highest levels of economic attainment, the moral was compelling: It could happen to you. "Such 'happenstance' incidents are no small part of the fascination of the game of business," the reader was reminded. "One never knows, when he enters an elevator or tears open an envelope or picks up the telephone, what new trick of fortune may be about to be played. Every day is a new series of adventures; around the next corner may lie the event that will change a whole career." [61]

The only danger in this argument lay in the possibility that it might, while encouraging the most sorely pressed, serve to dim the repute of those at the highest economic levels by suggesting that their pre-eminence was so largely fortuitous as to be perhaps undeserved. Thus one is told that the "really big man" is "devoid of pride and arrogance" for the good reason that "every man in a big position knows in his own heart that forces entirely outside himself have played a large part in his making." But this danger is quickly circumvented. It develops that what appears to be simple luck follows something of a pattern after all: It falls only to those who play the game according to the rules, i.e., to the deserving. The reader is warned that "I think it safe to conclude that breaks tend to happen to those who are prepared to receive them." "And that even in the luckiest lives it still is true that there is no substitute for work." [62]

If the "series of adventures" thus becomes not so much a matter of luck after all, the completion of this circle in the author's logic was presumably not noticed in the warmth that accompanied the rekindling of the glow of admiration for the successful. "The multimillionaire's life may have been 'just a series of accidents.' But he was always on his toes to take advantage of them. He was always giving his heart and soul to the work at hand and keeping his eyes wide open." It may make life more exciting to insist on the importance of luck, but it is even more important to sustain the conviction that each receives his just reward. "Many men fail to cash in on their luck because they get discouraged and quit too soon." [63]

[61] Bruce Barton, "Do You Believe in Luck? I Do," *American*, CV (April, 1928), 156.

[62] *Ibid.*, 159. [63] *Ibid.*, 160.

Despite the truly impressive support which business dicta received from other sources of political opinion, whether in the highest political office, the judiciary, the pulpit, or the press, it should not be forgotten that this summary has focused on the highlights of conservative thought alone. The American tradition is never, of course, two dimensional. However conspicuously the business view may have influenced leading elements throughout the community, there were dissenters at every level who offered a radically different perspective. In order to break the uniformity suggested by this survey, one need only turn to any of a wide variety of critics and nonconformists.

If the Democrats appeared to envy the Republicans their identification with business and prosperity (as evinced by such overtures to the business community as the appointment of the General Motors and Du Pont executive, John J. Raskob, as chairman of their national committee), if the socialist vote dwindled by 1928 to one third its strength at the start of the decade, if the communists failed miserably at the polls, there were still almost five million voters who endorsed La Follette and the radical program of his Progressive Party in 1924. While Sutherland was pontificating for the majority of the Supreme Court, Holmes and Brandeis were establishing an imperishable record of ringing dissents with views which were destined to have the greater long range influence. Although a portion of the religious community was helping business to become virtually the national religion of America, there were other leaders, like Harry Emerson Fosdick, who were more concerned with enlisting the church behind such causes as the fight against group prejudices or the promotion of international co-operation, just as there were still others who were dedicated to combating the concept of evolution or purifying public morals by maintaining prohibition. While the mass circulation press was offering the public an increasingly standardized picture of business beneficence, the strident and persistent dissents of such liberal journals as the *Nation* or the *New Republic* were repudiating the business dogmas with a vengeance.

Although many of these minor themes were not concerned with the problem of business leadership at all, perhaps the heart of the liberal dissent as it related to the business creed is found in the *New Republic*'s denial of the "myth that every 'successful' man is the product of his own merit, and, therefore, deserves adulation and

imitation." [64] Refusing to accept material success as conclusive proof of ability even in the business world, the *Nation* added that "some day the myth of the 'efficient business man' is going to join the story of Washington and the cherry tree and that of Jonah and the whale." [65] Not only did liberal dissenters attempt to undermine the prestige of business leaders, they insisted on portraying business power as a threat to popular government. The *Nation* demanded from an unresponsive public a "recognition of the fundamental fact that our economic life is so interdependent that it must be controlled by some kind of government, either the invisible government of great corporate wealth, which is supreme today, or a democratic organization representing the people." [66]

These minor themes must be noted to ensure against any illusion of perfect harmony during the 1920's, but the essential fact that they were only minor themes remains. At the base of political thought during this period there was something close to the rich diversity always present in America. If one sifts this to select the characteristic tone of the decade, its predominant conservatism is quickly apparent. If the conservative ideas are then sifted in turn, the business creed emerges as the distinguishing thought of the period. Although it must not be forgotten in describing this as a business age that the sifting process is first necessary in order to eliminate the exceptions, it is equally true that the central thought of the decade can be described in no other way. There is no sieve which could remove the business dicta from the intellectual legacy of this era and leave it recognizable as the decade of the 1920's. Perhaps the business spokesmen received no greater or more grudging tribute than in the fact that even the *Nation* was forced to recognize this. The "majority of Americans," it conceded, had been "converted . . . to the political creed of the business man." [67]

The American tradition as a whole is, of course, much more complex than the relatively homogeneous thought of the 'twenties. Because the elements composing it are too varied to invite easy generalization, one can attempt to assess the political theory of American business in the light of that tradition only with great reserva-

[64] Editorial, "Middletown's Devil," *New Republic*, LX (August 21, 1929), 4.
[65] Editorial note, *Nation*, CXXIX (October 9, 1929), 371.
[66] Editorial note, *Nation*, CXXVII (November 7, 1928), 466.
[67] Benjamin B. Kendrick, Sr., "Republicans and the Rest of Us," *Nation*, CXXIX (July 31, 1929), 112.

tion. Revolt, dissent, experimentation have bulked too large in the American experience for any statement of an American orthodoxy to be possible. There is no American Karl Marx who can be expected to furnish the requisite point of view on every problem. To be sure, there are and have always been dogmatic Americans, but there is no one dogma to which one may point as expressing the final meaning of American politics. "Every effort to confine Americanism to a single pattern, to constrain it to a single formula," Professor Henry Steele Commager warns, "is disloyalty to everything that is valid in Americanism." [68]

Something of the essential character of the American tradition is suggested, however, in its very complexity. Free from any one transcendent scheme, American politics has generally been characterized by a tolerance which arises from the idea that absolute truth has been revealed to no one. The nearest approximation of "truth" is assumed to be that which is developed from the free flow of ideas, from the give-and-take process through which a wide variety of special "truths" are compromised.

Each individual must accordingly enjoy the freedom to make his particular contribution by working his own destiny. With the individual as the frame of reference, the fundamental concern is with man as a free entity, with his right, under the assumption of the inherent moral worth of each individual, freely to realize the best in his nature. Other values are of importance, of course, but they tend to be merely instrumental in relation to the fundamental freedom of the individual. Whether the argument is for "freedom of enterprise" or "freedom from economic oligarchies," its appeal will depend upon its significance for the individual as a free agent.

On the assumption that man will have the best chance for free development if he governs himself, American political thought has been oriented around the concept of popular consent. And, since no one group enjoys a monopoly of truth, popular consent has been roughly translated into majority rule. Reservations about the competence of anyone to speak perfectly or permanently for all apply to the majority with no less force than to other groups, however, so that the doctrine of majority rule is by no means unqualified. The probability of a new majority being formed is never forgotten, and

[68] Henry S. Commager, "Who Is Loyal to America?" *Harper's Magazine*, CXCV (September, 1947), 199.

this requires that "the Minority possess their equal rights." [69] Majority rule accordingly means the restrained rule of a current majority.

The degree of restraint that should be placed upon the majority has been perhaps the most recurrent problem in American political thought. The freedom to differ has left room for complete rejection of majority rule on the one hand and complete unconcern for minority rights on the other. For the most part, however, the conflict has been over the matter of emphasis within these extremes. Since neither majority nor minority, public power nor private right, numbers nor interests has ever been able to gain complete dominance, the struggle has been continuous. And it can well be argued that the continuing vitality of the American tradition lies, not in a resolution of these differences, but in their continuance at higher levels of meaning.

Despite the sustained nature of the conflict between numbers and interests, the pattern that appears to emerge is that of increasing majority control in the face of constant resistance from the minority. The progress of the majority toward more effective control has been slow, uneven, and incomplete. Indeed, the establishment of unqualified majority rule would alter what has been described as the central character of the American tradition. But it appears undeniable that the direction of movement has been democratic, toward an increasingly significant role for broadly based public power. Perhaps the simplest—and most convincing—demonstration of this pattern of development is found in the character of leadership that has won the greatest and most enduring respect in America. Who are America's heroes? The pre-eminence of Franklin Roosevelt, Woodrow Wilson, Abraham Lincoln, Andrew Jackson, and Thomas Jefferson attests to the importance of a firm stand on the side of public power.

The theory of interests occupies a central and continuing role in the American tradition nonetheless. From the formation of the United States as a nation to the determination of its twentieth-century character, America's political life bears the unmistakable stamp of conservative influence. Almost any idea could, of course, be justified as "American" in the historical sense of having found some

[69] From Thomas Jefferson's Inaugural Address, March 4, 1801, quoted in Paul L. Ford (ed.), *The Works of Thomas Jefferson* (New York, 1905), IX, 195.

expression in the course of the country's history and in the logical sense of being admissible within its broad area of tolerance. But the theory of interests has played no such secondary role; the American tradition would be entirely different without its contribution.

The greatest indictment of the business theory under the aegis of the National Association of Manufacturers and the Chamber of Commerce is that it betrayed the responsibilities of conservatism itself. At the very time when they enjoyed the echoes of their own opinions reverberating in a chorus that identified the business view with conservatism—if not, indeed, with Americanism—as such, business leaders were unable to rise above the narrowest interpretation of the short-run advantage of the minority. Their mistakes were clearly the mistakes of their age, but business spokesmen enjoyed an almost unique degree of leadership in determining the character of that age. The extremity and rigidity of their stand against public power in a nation moving toward democratic ideals went far to discredit conservatism in general. The theory of interests was solidly established in the very foundation of American politics in the act of establishing the republic. When it passed into the hands of business, however, the theory appears to have remained within the main stream of the American tradition for essentially negative reasons—to attempt a reversal of the direction in which the stream flows.

What has been the result of this negative role? As Professor Alpheus T. Mason describes it, "Conservatism, once more than respectable political theology (especially among the educated), now carries overtones of reaction well nigh as discrediting as the rabidities attributed to communism." [70] If Brooks Adams was correct in postulating that any redistribution of power caused by the mistakes of business must be "distressing as previous redistributions have been, in proportion to the inflexibility of the sufferers," [71] the stand of American business throughout the 1920's helps explain the misfortunes of conservatism as such. Because of his stubborn resistance to all change not to his direct benefit,[72] the business leader may be held responsible for his own troubles. "Of necessity, he precipitates

[70] Alpheus T. Mason, *The Democratic Process: Lectures on the American Liberal Tradition* (New London, 1948), 32.

[71] Adams, *The Theory of Social Revolutions*, 207.

[72] A study by A. S. Cleveland unhappily indicates that this characteristic applies in the period since 1930 with no less force than in the decade considered here. See "N. A. M.: Spokesman for Industry?" *Harvard Business Review*, XXVI (May, 1948), 353–71.

a conflict, instead of establishing an adjustment. He is, therefore, in essence, a revolutionist without being aware of it." [73]

A theory of interests has been deemed essential to a continuance of the American political pattern, but its proper function is clearly not that of fomenting revolution. American conservatism has not been done justice by its own spokesmen. If, while reading Peter Viereck's recent credo of conservatism, one keeps in mind the relevant ideas of business leadership, this point is brought home with striking force: "In times of shallow prosperity, the conservative function is to insist on distinguishing value from price ['it is inconceivable to a 100 per cent American that anyone except a nut should give something for nothing']; happiness from hedonism ['with a full belly and a warm hut man no longer needs to be drugged by socialism and personal salvation']; reverence from success-worship ['a man is worth the wages he can earn']." [74]

Believing with Viereck that "conservatism is betrayed when it becomes the exclusive property of a single social or economic minority," [75] one must conclude that American conservatism suffered its greatest betrayal during the period of the 1920's, at the very time that it enjoyed its greatest opportunity to develop a broad and enduring appeal. Communist and fascist detractors of constitutional democracy receive their most effective co-operation from the unconscious revolutionist who tries to identify not only conservatism but democracy itself with the narrow interests of an economic elite. Since "the American democratic faith is a system of checks and balances in the realm of ideals," [76] that faith suffers unless every real point of view is given adequate public expression. If American conservatism is allowed to degenerate in the keeping of those who ill conceive even their own self-interest, the characteristic balance of the American tradition will have been lost and the entire nation can count itself the loser.

The most pressing need of American politics is an effective and responsible theory of interests, concerned with protecting the rights of individuality in the humane as well as the economic sense. Judging from the period of greatest business ascendancy, this theory has little hope of developing so long as business is allowed to speak for

[73] Adams, *The Theory of Social Revolutions*, 210.

[74] Peter Viereck, *Conservatism Revisited: The Revolt Against Revolt, 1815–1949* (New York, 1949), 9.

[75] *Ibid.*, 11. [76] Gabriel, *The Course of American Democratic Thought*, 418.

conservatism at large unless business leadership shows a new awareness of the needs and aspirations of twentieth-century America. With the return of the Republicans to power in the 1952 election, this problem becomes one of vital importance to every American. Will business be able once again to speak for conservatism in general? Will it now be competent to rise to the responsibilities of such leadership as comes its way? Or is a mid-century version of the Dollar Decade about to unfold?

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